

Iran, 1/80

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memo	HJ to JC OPENED 1/28/98	1/15/80	A
memo	HJ to JC OPENED 1/28/98	1/22/80	A
memo	Iran Working Group OPENED 9/16/97	1/30/80	A
memo	HJ to Charles Kirbo OPENED 1/28/98	1/22/80	A
memo	Henry Precht to HJ	1/29/80	A
memo	to HJ (7 pp.)	1/18/80	A
memo	Henry Precht to Gary Sick SANITIZED 9/16/97	1/19/80	A
memo	to HJ (2 pp.)	1/30/80	A
cable	FBI Director to Gary Sick <u>et al</u>	1/12/80	A
memcon	Iran Working Group SANITIZED 9/16/97	1/18/80	A
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memo	Steve Orman to HJ OPENED 1/28/98	1/15/80	A
memo	Arnie Raphael to Cyrus Vance <u>et al</u> SANITIZED 9/16/97	1/7/80	A
embtel	Panama 346 to Sec. of State OPENED 9/16/97	1/12/80	A
memo	Warren Christopher to HJ OPENED 9/16/97	4/17/80?	A
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embtel	Panama 185 to Sec. of State (2 copies) SANITIZED 9/16/97	1/7/80	A
memo	HJ to JC OPENED 1/28/98	1/29/80	A
memo	Bani-Sadr as President	1/29/80	A
draft	H. Saunders SANITIZED 9/16/97	1/28/80	A
memo	H. Saunders to Sec. of State SANITIZED 9/16/97	1/28/80	A
memo	Hector Orlando Villalon	1/24/80	A
memo	re: Hector Villalon	n.d.	A
memo	from Lloyd N. Gutler OPENED 1/28/98	1/14/80	A

FILE LOCATION *Confidential File*
Chief of Staff (Jordan) / ~~Box 7 of 8 (org.)~~ / Iran-Jan. 1980

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*Ham
J*

EYES ONLY

TO: PRESIDENT CARTER
FROM: HAMILTON JORDAN *HJ.*

As I told you, Secretary Vance has taken the position that he does not want to hear the tape of the Waldheim meeting with the Revolutionary Council or hear the transcript. You may want to ~~consider~~ ^{DEFER} reading the transcript until you confer with him.

I believe that even if you don't read it, it is important that you know what actually happened.

Let me begin by saying that I know that the Secretary-General was trying to identify with the Iranians, appear neutral in his role as Secretary-General and create an atmosphere that might result in progress on the hostage issue. He

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E.O. 12958, Sec. 3.6
PER *1/30/97 NLR* RE *NLC-97-16*
BY *J* NARS. DATE *1/23/98*

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also was under a certain amount of pressure due to the fact that his life was in danger several times.

Having said that, let me make these observations:

1. The Secretary-General did not present on behalf of the world community the view that Iran was in violation of international law. This should have been stated in a tactful way during his meeting with the Revolutionary Council.
2. He tried to identify with the Iranians at the expense of representing the world community.
3. Because he did not clearly state the U.S. or United Nations position on the situation, the members of the Revolutionary Council were left to draw their own conclusions about where things stood.
4. The tone of Waldheim's remarks were apologetic, defensive and at points obsequious. There is no way that the Council - particularly the religious, non-secular members - could have concluded that they were dealing with either a strong man or a strong organization.

Consequently, while recognizing the critical role that the United Nations and the Secretary-General have to play in resolving the crisis, I believe that you should consider reading the transcript just so that we will not be dependent on Waldheim doing any heavy negotiating for us.

My French friends and Cottam have said a number of times that the Foreign Minister was frustrated and disappointed that nothing had happened as a result of Waldheim's trip. That must be because he left the impression that he was sympathetic to their cause and imprecise about what would have to happen on both sides. As a result, Waldheim probably has less credibility with them because they will have concluded that Waldheim left Iran convinced of the justice of their own cause and was blocked by the U.S. from following through.

Enough on that, but I hope that you will keep my harsh comments private.

Because the issue that we are dealing with is so important and sensitive, I want to make a few points:

1. Absolute confidentiality is essential. Most of the inter-governmental communications on this should be oral and limited to a very tight group.
2. My personal involvement on a continuing basis is important and essential in a couple of ways. First, it has been a signal of our willingness and seriousness to negotiate in a respectful manner. Secondly, it is important that someone with a political sense of things here and Iran be involved on a continuing basis.
3. Hal Saunders and I should work on this as a team. He and I compliment one another - he has an understanding of the area, the personalities, is an excellent draftsman and represents the Secretary well.
4. If we are able to put this thing together, it is going to be like one of those trick billiards shots where you have to hit five sides before the ball goes in the pocket. For this reason, we are going to need to put together the UN, Panamanian, etc., pieces together. For that reason, I

will need to be involved in every part of the discussion and negotiations. This should not take much of my time, but is essential in terms of tying this thing all together. Right now, Hal Saunders and I are the only two people in the government who have a precise sense of both how this thing can be done and also how difficult and sensitive it will be.

So, at the risk of appearing immodest, I would suggest that you say sometimes during the meeting today if we decide to go ahead that you want Hal Saunders and I to work as a team and that you want me involved in every dimension of the discussions to both keep you informed and to measure domestic political impact.

Mr. President, I had a hunch last week that this might turn into something, Because of Bourguet, I am increasingly convinced that it can and will.

What can we do about the hostages?

1. US short-run goals in Iran have changed markedly as a result of the Afghan crisis. They are now to:

- get the hostages safely released
- preserve the possibility of restoring working relations with Iran as soon as possible

These goals are not necessarily incompatible, but they do require some change in approach. As we argue below, the current line is one for a cautious approach and yet more patience.

2. Our assessment of the basic situation in Tehran is unchanged. The militants have the hostages and will not let them go unless either the Shah is returned or Khomeini tells them to. Khomeini will not tell them to unless he gets the Shah. The Revolutionary Council wants to release the hostages in return for a face-saving gesture -- an international tribunal, but cannot persuade Khomeini. The US is willing to meet the Council's terms if the hostages are released first, but not to meet those of Khomeini and the militants. The impasse continues.

3. We do not place great value on either the Waldheim route or the Panamanian route. Neither has gotten beyond the Council, as far as we can tell, and thus neither has reached the inevitable impasse. Moreover, Waldheim's approach fuzzes the issue of time of release, unacceptable to most potential members of a tribunal and likely to be unacceptable to the US, and the Panamanian approach may be an election play by Ghotbzadeh.

4. There are, however, several impending developments that in combination might make a significant change in the situation.

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PER 61147 Sdk H RE: NLC-97-15
BY [Signature] NARS. DATE 8/27/97

- Several sources who have seen Khomeini recently testify to his detachment from reality, his "seclusion" has just been extended two more weeks and has been marked by much less activity than previous withdrawals, and the militants have just urged the country to "pray for the Imam." He may die or become so ineffective that his power will fade; on the other hand he might recover sufficiently to retain power without the ability to use it, a situation that would mean paralysis in Tehran.
- The presidential election takes place on 26 January. It will in effect replace the Council with a president who can claim a mandate to represent the Iranian people, although he will be constitutionally subject to Khomeini's authority. The emergence of the president as a power center will take some weeks; there will probably be a run-off, and then a period of flux as political realignments take place. We cannot predict which candidate will win, but we believe nonetheless that whoever wins will want to release the hostages.
- The Islamic conference will bring additional pressure on Iran to lower its terms on the hostages, look to its interests via-a-vis Afghanistan and the Soviets, and recognize that it badly needs a support that the US is willing to give if the hostage issue can be resolved. This pressure will not be effective on Khomeini or the militants, but it will strengthen the hand of the new president, or of the more sensible people around a failing Khomeini.

5. Thus we see a situation possibly evolving a few weeks hence in which power had gradually moved from a weakened or defunct Khomeini to a president who wished to release the hostages -- and who could assert to the militants that he rather than they represent the Iranian people. The militants would then find themselves more in the classic situation of the hostage-taker -- surrounded by hostile forces. In such circumstances we think that the militants would eventually give way, but we caution that before this happened there would be a period of great danger to the hostages as external pressures came to bear on the various factions of militants. This is, of course, the best of many possible outcomes. Nonetheless, if Khomeini recovers, or if the president is not able to establish authority, the situation will be no worse than it is today.

6. To us this argues for a further period of patience on the part of the US, and we so recommend. Specifically, we would:

- Make fullest use of the Islamic conference, Muslim leaders, etc., to carry a message to the Iranians. We should act as quietly as possible, however, to avoid causing a backlash or rising expectations. The message should be that we share Islamic concern at Soviet action in Afghanistan and wish to clear up the hostage question so that we can work together to block further Soviet expansion. In return for the hostages:
 - The U.S. would not take action to return the Shah or his family to power.

- The U.S. would cooperate with a U.N. investigation of the Shah's retinue.
 - The U.S. would, within the limits of its laws, facilitate proceedings by Iran to recoup any of the Shah's assets which belong to Iran.
 - The U.S. would, upon release of the hostages, provide economic and military support to the Iranian government to help prevent its being taken over by the left or threatened by the Soviets.
- Seek to enhance the authority of the new government. There may be covert means to this end, but there are overt ones as well. A Presidential statement that we consider the election a favorable development and the new president the legitimate representative of the Iranian people, and that we are confident that he will see to it that our people are released might be helpful and would buy time. We should also be prepared to open communications with the clerical committee that will constitutionally replace Khomeini, should it emerge.
- Make no further use of the stick. Be quiet about sanctions. They are not a very hopeful line anyway and are getting us crossways with our allies. Do not make military gestures that appear directly threatening to the Iranians. Preparations for a long-term

strengthening of our position in the Gulf (access to Oman, Somalia, and Kenya, propositioning of heavy equipment in Egypt, limited mobilization moves in the U.S.) should continue but should not be publicly related to Iran. Anything that smacks of military threat will harden the Iranian position when it could be softening; specifically, it would make it exceedingly difficult for a new president to overcome militant objections to hostage release. Finally, over the longer run, it would make much more difficult a restoration of US-Iranian working relations. (We recognize that several of us have in the past urged a stronger and more demonstrative line. The difference is one of timing. If by early March the scenario suggested above is not developing and no progress has been made, then we should conclude that our two goals (Para 1) may be mutually incompatible and consider use of the stick. In fact, quiet preparations to do this quickly and effectively might well be undertaken, but only if they can be kept secret.)

WASHFAX RECEIPT
DEPARTMENT OF STATE

WALTER HOUSE
STATION ROOM

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MESSAGE NO. 125318 CLASSIFICATION SECRET No. Pages 3

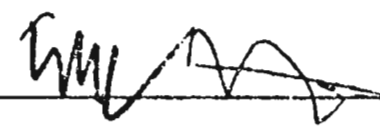
FROM: WARREN CHRISTOPHER D 29640 7220
(Officer name) (Office symbol) (Extension) (Room number)

MESSAGE DESCRIPTION Draft message to Amb. Laingen

TO: (Agency)	DELIVER TO:	Extension	Room No.
WH	Dr. Brzezinski	456-2235	
	Mr. Hamilton Jordan		

FOR: CLEARANCE INFORMATION PER REQUEST COMMENT

REMARKS:

S/S Officer: 

~~SECRET~~

MESSAGE TO AMBASSADOR LAINGEN IN TEHRAN THROUGH SWISS EMBASSY

We would appreciate Ambassador ~~Laingen's~~ delivering the following message at the earliest possible moment to

President Bani-Sadr from the USG:

WHILE WE ARE PLEASED THAT THE HOSTAGES WERE VISITED
1. ~~We appreciate the role President Bani-Sadr may have had in the arrangements for the visit to the hostages by the representatives of the ICRC.~~ We hope ^{that} the conditions ~~of the~~ ~~hostages~~ can be improved and that visits can take place on a regular basis.

2. Our continued objective is the prompt and safe release of all the American hostages. Because the hostages continue to be held in violation of international law and all principles of civilized behavior, we will today announce additional non-military steps. Under the circumstances we have no choice but to take steps necessary to redress our grievances, and to seek the cooperation of others in such measures.

3. We have seen statements indicating that there is a possibility of release before the parliament meets. This outcome is by far preferable to others that have been proposed. We would welcome your suggestions for achieving such a result, through any of the existing channels or otherwise as you may wish.

4. We are concerned about press accounts ^{out} of Iran saying that the hostages may be kept through the summer. If the Majlis election takes place May 2, can you give us an estimate as to when it will be in a position to deal with the hostage

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PER *State HVR* BY *MLC-97-15*
BY *Q* NARS. DATE *8/27/97*

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situation and how you will avoid a situation in which the Majlis would seek to impose conditions which the United States cannot and will not accept or to delay indefinitely an ultimate decision.

5. Beyond the present crisis it is our hope to build a new relationship with Iran based on equality and mutual respect.

~~SECRET~~

~~SECRET-SENSITIVE~~

THE WHITE HOUSE
WASHINGTON

December 18, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: LLOYD CUTLER AND HEDLEY DONOVAN *LNC*

SUBJECT: Iran

We are all aware of the danger that, whether or not the return of the hostages is promptly resolved, we face a series of domestic charges and inquiries on two central questions: "Who Lost Iran?" and "Why was the Shah Admitted for Medical Care?"

To meet these charges a task force is preparing a history and chronology of the major events in U.S.-Iranian relations since 1953, for possible use in a future White Paper, and also as a reservoir of material to use in rebutting charges as they arise.

This memorandum recommends that you also consider the appointment of a Presidential Commission of qualified and distinguished private citizens, who have had no prior responsibility for U.S.-Iranian relations, to make a study of the relationship during and since the Shah's rule, and to report their appraisal to you and the public no later than April 1980.

The role of the Commission would not be to investigate particular charges against this Administration or previous ones. Instead, its role would be to review and appraise the entire relationship, and where we ought to go from here. In performing its mission, however, the Commission of course would have to deal with the actions or omissions that give rise to the charges.

Such a Commission would have the following values:

a) When charges and countercharges are exchanged, we could point to the existence of the Commission and the fact that a balanced and impartial report on the issues will be available by April.

b) When the report is issued, it can be effectively used to rebut the more sensational charges. What the Commission says is likely to carry more weight with the public and the editorial writers than the partisan charges and countercharges from the candidates.

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E.O. 12958, Sec. 3.6

PER *9/30/87 NLS H* RE *NLC-97-16*
BY *J* NARS. DATE *11/23/98*

c) The existence of the Commission - particularly if respected senators and congressmen are included in its membership - might help to deter or offset more sensational congressional investigations and reports.

If the Commission idea wins acceptance, its announcement should be carefully timed. On the one hand, an early announcement might help to preempt the field and neutralize the charges and inquiries that may soon be launched. On the other hand, we do not want the creation of our own Commission to be seen or used as a basis for legitimizing the proposed Iranian plan to establish an "international commission" of its own, or the more recent demand that we establish an official body to investigate the Shah.

This idea has been reviewed with Cy, Harold and Zbig, who think it has merit but want to reflect further on timing and structure.

Attached is a list of possible members of the Commission.

Also attached is a more detailed description of the Commission's possible scope.

cc: Secretary Vance
Secretary Brown
Hamilton Jordan
Zbigniew Brzezinski

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Possible Names for Commission

William Scranton
John Gardner
Hanna Gray (President of University of Chicago and a distinguished historian)
William Saltonstall (former Headmaster of Exeter and head of the Peace Corps in Nigeria)
Bishop John Walker of Washington
William Bohen (President of Princeton)
Eric Sevareid (now retired)
James Reston (now retired except for occasional columns)
Theodore White
Professor John Hope Franklin (distinguished black historian at University of Chicago)
Lane Kirkland
William Spann (Atlanta Lawyer, former President of ABA and former Chairman of Section on Individual Rights and Responsibilities)
Irving Shapiro (if Du Pont not active in Iran)
Roger Heyns (former Chancellor at Berkeley, former President, American Council on Education)
Clifford Wharton (former President of Michigan State, former AID official)

MEMBERS OF CONGRESS

Senators

Mac Mathias
Gary Hart
Robert Byrd
Ted Stevens
Dan Inouye
Henry Bellmon
Abe Ribicoff

Congressmen

Clem Zablocki
Lee Hamilton
Paul Findley
Charles Bennett
Lucien Nedzi
David Emery

~~SECRET SENSITIVE~~

Further Details of a Proposal for a Commission to Review United States Foreign Relations with Iran since World War II.

As soon as the hostage problem is resolved one way or another, the Administration will be attacked from two sides. One line of attack will accuse the President of "losing" Iran, with grave damage to U.S. interests, by undercutting the Shah. In the other line of attack the Administration would be accused of exposing American lives to danger and precipitating a wholly unnecessary crisis by the decision to admit the Shah to the U.S. for medical treatment. Unless the Administration moves promptly to preempt the field of inquiry, Senate and Congressional committees are likely to begin independent investigations along both lines. In a year when one-third of the Senate and all of the House are running for election, the issue could become poisonously politicized.

The pro-Shah school would concentrate its fire on that limited period just before and after the Shah's departure, and particularly on the role of General Huyser, who, they allege, used threats and intimidation to prevent the Shah's generals from resisting the pro-Khomeini mobs. Had it not been for Huyser, they argue, the military would have taken over and the Khomeini forces been put down; at the very least, the Army would have retained its integrity as a power center and thus exercised a severe constraint on the Islamic groups.

Neither the pro-Shah nor anti-Shah elements can be permitted to confine the argument to the narrow time-frame of 1979. Such a restricted focus would preclude serious analysis of the nature of the Iranian revolution.

which involved the sudden temporary coalescence of long-building grievances that pervaded all sectors of society, finally concentrating under the banner of Islam as a flag of convenience and respectability. A responsible inquiry would seek to establish the true nature and causes of the Iranian revolution and thus put the Carter Administration's handling of its latter phases in proper perspective.

To satisfy the American people, the President should, therefore, promptly appoint a Commission composed of men and women of unquestioned integrity and objectivity who have had no previous participation in our Iranian policy. Meanwhile, Senate and House Committees would find the field at least partially preempted. If not inhibited from launching investigations of their own, they might be constrained to conduct their hearings and write reports more responsibly than if the Commission did not exist.

Obviously, there are risks in such a proceeding and in its timing. But there are greater risks in letting the pro-Shah and anti-Shah oppositions define the issues in their own terms and exclude from the argument the areas and time periods where they would themselves be vulnerable.

The President would make clear that he was seeking, through the Commission, to discover all the lessons we should draw from our experience with Iran during the last three decades and was prepared to let the chips fall where they may. It is probable that the country would regard this initiative as an act of statesmanship.

~~SECRET/EYES ONLY~~

DEPARTMENT OF STATE
SPECIAL ASSISTANT TO THE SECRETARY

January 7, 1980

MEMORANDUM FOR: MR. VANCE
MR. CHRISTOPHER
MR. NEWSOM
MR. TARNOFF

FROM: Arnie Raphael *AR*
SUBJECT: The Shah in Panama

Ambler Moss called me today at 3:30 to say that he had met with [REDACTED] concerning the Shah's presence in Panama. [REDACTED] noted that relations between the Shah's staff and the Panamanians were not good. The Iranians have so far spent over \$135,000 in various kinds of payments to the GOP -- a figure greater than that spent in a comparable amount of time in Mexico. [REDACTED] added that communications between the Shah's party and the Panamanians had almost broken down because of hard feelings on both sides.

[REDACTED] added that the tensions were all below the surface. The Shah and Royo personally got along well and both were making a concerted attempt to keep their major differences covered to the greatest extent possible. The troubles existed, however, were getting worse, and the Shah was now thinking of moving to the Panamanian mainland where he would feel less constricted. The Shah has specifically asked that we not become involved in trying to mediate between the party and the Panamanians, since he appreciated the great sensitivity of our role and the fact that he may need our help in finding a new haven.

[REDACTED] will leave Panama Friday night and be in Washington on Saturday and hopes to meet with Ham and Lloyd at that time. [REDACTED] believes that Ambler may well ask us to help find a new location for the Shah.

I asked Ambler to please report this by cable and to include any ideas he might have on how the tensions between the Shah's party and the Panamanians might be ameliorated. I also pointed out, and Ambler fully agreed, that any indication that the Shah wanted to leave Panama and that we were involved in finding him a new haven would be extremely injurious to whatever efforts we had concerning our hostages in Tehran.

~~SECRET/EYES ONLY~~

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E.O.12958, Sec.3.6

PER 61847 *State* HERE NLC-97-15
BY *[Signature]* NARS. DATE 9/27/97

For this reason, we should treat the subject with great sensitivity and do our best to avoid any leak of this information.

Ambler asked whether he should hold the messages from Ham to Royo and Torrijos in light of this latest development. I said that he should hold the messages until he hears further from us.

-8 JAN 80Z 00 10

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FM AMEMBASSY PANAMA
TO SECSTATE WASHDC IMMEDIATE 0660

~~CONFIDENTIAL~~ SECTION 01 OF 03 PANAMA 00185

NODIS

E.O. 12065: GDS 01/07/86 (MOSS, A.H.) OR-M
TAGS: PEPR, IR, PN, US
SUBJ: PROBLEMS WITH THE SHAH'S VISIT

1. (C - ENTIRE TEXT)

2. SUMMARY. [REDACTED] WHO HAD RETURNED TO PANAMA NIGHT OF JAN 3, CAME TO SEE ME THIS MORNING AND DESCRIBED A LONG LIST OF DIFFICULTIES BEING EXPERIENCED BY THE SHAH AND HIS STAFF ON COMAUNDRA. [REDACTED] SAID HE WOULD RETURN TO WASHINGTON AT THE END OF THIS WEEK, SEEK AN EARLY MEETING WITH HAMILTON JORDAN AND LLOYD CUTLER AND REQUEST USG ASSISTANCE IN MOVING THE SHAH FROM PANAMA TO ANOTHER COUNTRY AS SOON AS POSSIBLE. IN PARTICULAR, HE COMPLAINED THAT THE EXPENSES BEING CHARGED WERE VERY EXCESSIVE (DOLS 135,000 TO DATE), THAT THERE WAS A GENERAL ATTITUDE OF HOSTILITY TOWARD THE SHAH'S AMERICAN AND IRANIAN STAFF BY THE PANAMANIAN SECURITY PERSONNEL ON THE ISLAND, THAT THE PANAMANIAN MADE IT IMPOSSIBLE FOR THE SHAH'S STAFF TO FUNCTION, AND THAT ALL MAIL WAS BEING OPENED, PHONES WERE BEING MONITORED, AND AN UNSATISFACTORY SITUATION EXISTED. HE SAID THAT THE SHAH FEELS THAT THE PANAMANIAN ARE SIMPLY INTERESTED IN GETTING HIS MONEY AND THAT, WHEN THEY DISCOVER HE WILL NOT INVEST IN PANAMA, THAT HE FEARS FOR HIS SAFETY. THE SHAH HAS BEEN TAKEN BY THE

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PER 6/1/84 [Signature] BY RE ALC-97-15
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PAGE 02

PANAMA 00185 01 OF 03 072339Z

PANAMANIAN TO LOOK AT REAL ESTATE ON THE MAINLAND, BUT HE WISHES GRACEFULLY AND WITHOUT MAKING WAVES TO LEAVE PANAMA WITHIN A MONTH AND FIND ANOTHER LOCATION. I HAVE NOTICED FOR SOME TIME THAT RELATIONS BETWEEN THE PANAMANIAN AND THE SHAH'S AMERICAN STAFF HAVE NOT BEEN GOOD, ALTHOUGH ON AN OFFICIAL LEVEL (ROYO, TOKRIJUS) CONSIDERABLE HOSPITALITY HAS BEEN EXTENDED TO THE SHAH. PANAMA HAS EXPERIENCED CONSIDERABLE DIFFICULTY WITH STUDENT DISTURBANCES AND OPPOSITION PRESSURE OVER THE SHAH'S STAY. SMALL BUT VIOLENT DEMONSTRATIONS HAVE ERUPTED AGAIN TODAY AND MAY CONTINUE THIS WEEK. IN VIEW OF THE SHAH'S OWN APPARENT DESIRE NOT TO OFFEND THE PANAMANIAN AND THE FACT THAT AT THE MOMENT HE HAS NOWHERE ELSE TO GO, I WOULD RECOMMEND AGAINST OUR GETTING INVOLVED AT THIS STAGE. I MIGHT, HOWEVER, CAREFULLY EXPLORE WITH [REDACTED] THE REASONS FOR THE APPARENT BAD BLOOD BETWEEN THE SHAH'S STAFF AND THE GN. [REDACTED]

END SUMMARY

3. [REDACTED] RETURNED TO PANAMA ON THE NIGHT OF JAN 3, HAVING BEEN AWAY SINCE JUST BEFORE CHRISTMAS. AT ABOUT 8 PM JAN 4, HE TELEPHONED ME TO COMPLAIN THAT THE SHAH WAS BEING TAKEN THAT EVENING TO THE MAINLAND BY THE GN SECURITY FORCES, APPARENTLY AT THE REQUEST OF PRES ROYO, TO LOOK AT REAL ESTATE THE NEXT DAY, AND THAT HE, ARMAO, WAS NOT ALLOWED TO ACCOMPANY THE SHAH. I HAD BEEN AWARE FOR SOME DAYS THAT THE SHAH'S AMERICAN STAFF [REDACTED] HAD BEEN EXPERIENCING DIFFICULTIES IN DEALING WITH THE PANAMANIAN SECURITY FORCES ON THE ISLAND, BUT THOUGHT PERHAPS ARMAO COULD STRAIGHTEN THEM OUT ON HIS RETURN.

4. [REDACTED] CAME TO SEE ME TODAY, HOWEVER, AND LAID OUT A

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PAGE 03

PANAMA 00185 01 OF 03 072339Z

LONG LIST OF GRIEVANCES AND DIFFICULTIES BEING EXPERIENCED BY THE SHAH AND HIS STAFF WHICH, HE SAID, HAD LED THE SHAH TO THE CONCLUSION THAT HE WANTED TO LEAVE PANAMA. [REDACTED] SAID THAT AFTER THE DAVID FROST INTERVIEW TAPING THIS WEEK ON CONTADORA IS CONCLUDED, HE WILL FLY TO WASHINGTON ON JAN 11. HE IS ATTEMPTING TO ARRANGE A MEETING WITH HAMILTON JORDAN AND LLOYD CUTLER TO REQUEST USG ASSISTANCE IN FINDING ANOTHER COUNTRY FOR THE SHAH.

5. [REDACTED] SAID THAT THE DIFFICULTIES FIRST AROSE WITH THE GOP WHEN, ON DEC 24, HE QUESTIONED A BILL PRESENTED FOR THE RENTAL OF 12 CARB. HE SAID AT THAT TIME HE HAD A "BIG FIGHT" WITH LT. CLETO HERNANDEZ, THE GN REPRESENTATIVE IN CHARGE OF SECURITY OPERATIONS ON THE ISLAND. ARMAD SAID THAT BILLS HAD BEEN PILING UP CONTINUOUSLY AND THAT TO DATE, SINCE THE SHAH'S ARRIVAL ON THE ISLAND ON DEC 15, THEY HAVE HAD TO SPEND DOLS 135,000. HE LISTED SOME OF THE ITEMS AS DOLS 47,000 WORTH OF PURCHASES FOR THE LEWIS HOUSES OF ITEMS NOT REQUESTED OR WANTED BY THE SHAH SUCH AS A COMPLETE SET OF FLAT SILVER, CHINA, CRYSTAL-WASHING MACHINES, AND OTHER HOUSEHOLD EFFECTS. HE SAID THAT THE HOTEL BILLS FOR THE HOTEL ON CONTADORA WERE COMING TO DOLS 24,000 PER WEEK, ALTHOUGH THERE WERE ONLY ABOUT 12 ROOMS BEING RENTED, INCLUDING THOSE FOR THE PANAMANIAN AIR FORCE PILOTS. THE BILLS PRESENTED BY THE HOTEL REFLECT, HE SAID, A TREMENDOUS AMOUNT OF WINING AND DINING BY THE PANAMANIAN SECURITY FORCES, THEIR FAMILIES AND GIRL FRIENDS. ADDITIONALLY, HE SAID, HE HAD BEEN PRESENTED WITH A BILL FOR DOLS 10,000 FOR THE MONTHLY RENTAL OF TWO SMALL HOUSES ON [REDACTED] PROPERTY.

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TO BE PAID TO THE HOTEL CONTADORA, WHEN HE OBJECTED, HE WAS SIMPLY TOLD THAT IT WAS "ON ORDERS OF COLONEL NORIEGA".

6. [REDACTED] SAID THAT THE SHAH HAD FELT HE WAS BEING CHARGED EXCESSIVELY IN MEXICO, WHERE HE WAS PAYING DOLS 120,000 PER MONTH FOR THREE VERY LARGE HOUSES, A FLEET OF CARS, 17 SERVANTS, AND THE SALARIES OF 25 SECURITY GUARDS. PANAMA, THEREFORE, IS TREATING HIM EVEN WORSE, IN HIS OPINION. BRIBES AND "GIFTS" ARE NOT BEING SOLICITED, ARMAD SAID, AS WAS THE CASE IN MEXICO, BUT THE NET RESULT IS THE SAME.

7. [REDACTED] SAID THAT DURING THE PAST FEW DAYS THE GENERAL ATTITUDE OF THE PANAMANIAN SECURITY GUARDS HAS BEEN EXTREMELY HOSTILE TO THE SHAH'S AMERICAN STAFF AND EVEN TO THE IRANIANS, EXCEPT FOR THE SHAH AND HIS IMMEDIATE FAMILY. HE COMPLAINED THAT THE SECURITY FORCES WERE DELIBERATELY TRYING TO "SEPARATE" THE SHAH'S STAFF FROM HIM, HARASS THEM, AND THAT THERE WERE AT THIS POINT NO PANAMANIAN WHO WOULD DEAL WITH HIM EXCEPT TO PRESENT HIM WITH BILLS WHICH MUST BE PAID. THE SHAH, DURING THE LAST FEW DAYS, HAS BEEN TAKEN BY [REDACTED] AND OTHERS TO SEE VARIOUS PIECES OF REAL ESTATE ON THE MAINLAND, SAID [REDACTED] INCLUDING THE MONEY-LOSING LA SIESTA MOTEL

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NEAR TOCUMEN AIRPORT WHICH, [REDACTED] SAID, THEY WERE TRYING TO ENTICE THE SHAH TO BUY. HE SAID THAT THE SHAH MIGHT AGREE TO MOVE TO THE HOTEL LA SIESTA FROM CONTADORA JUST AS A WAY OF GETTING OUT FROM A DIFFICULT SITUATION ON THE ISLAND.

8. [REDACTED] COMPLAINED FURTHER THAT ALL OF THE TELEPHONE CALLS FROM THE HOUSE WERE BEING MONITORED IN A QUITE OBVIOUS MANNER, THAT MAIL WAS ALL BEING OPENED AND OFTEN WENT THROUGH CONSIDERABLE DELAYS IN GETTING TO THE HOUSE, AND THAT THE PANAMANIANS HAD REFUSED TO PUT IN A TELEX WHICH THE SHAH'S PARTY HAD REQUESTED UPON THEIR INSTALLATION IN GABRIEL LEWIS' HOUSE.

9. [REDACTED] SAID THAT THE SHAH HAD SAID THAT HE ORIGINALLY EXPECTED THIS KIND OF TREATMENT FROM PANAMA AND THIS IS WHY HE DID NOT WANT TO COME HERE IN THE FIRST PLACE. HE DOES NOT BLAME [REDACTED] OR THE USG, WHO HE SAID WOULD NEVER HAVE HAD OCCASION TO KNOW THEY WOULD BE TREATED THIS WAY BY PANAMANIANS, BUT THAT HIS CLOSE ADVISORS EARLY IN 1979 HAD RECOMMENDED THAT HE NOT COME TO PANAMA JUST FOR SUCH A REASON. THE SHAH, SAYS [REDACTED] IS CONVINCED THAT THE PANAMANIANS ARE GIVING HIM THE "HARD SELL" THINKING THAT HE IS LOADED WITH MONEY, AND THAT WHEN THEY FIND OUT THAT HE DOES NOT PLAN TO INVEST A CENT IN PANAMA, THEY WILL TURN AGAINST HIM, AND ACCORDING TO ARMAU, HE THEREFORE FEARS FOR HIS SAFETY. [REDACTED] SAID THE SHAH DOES NOT WANT TO REMAIN IN PANAMA MORE THAN A MONTH, ALTHOUGH HE REALIZES THE DIFFICULTY INVOLVED IN ESTABLISHING HIMSELF ELSEWHERE. AT THE SAME TIME, THE SHAH DOES NOT WANT TO HAVE ANY CONFRONTATIONS WITH THE PANAMANIANS, DOES NOT WANT THE USG TO BECOME INVOLVED ON HIS BEHALF, AND ACCORDING TO [REDACTED] SPECIFICALLY ASKED THAT I NOT RPT NOT

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RAISE THESE MATTERS WITH THE PANAMANIANs.

10. [REDACTED] STORY IS, OF COURSE, IN CONTRAST TO THE PUBLIC APPEARANCE OF GREAT COURTESY AND HOSPITALITY BEING EXTENDED TO THE SHAH. ON DEC 29, THE SHAH AND HIS ENTIRE FAMILY SPENT THE DAY WITH PRES ROYD IN THE MOUNTAIN RESORT OF EL VALLE. GEN TURRIJOS HAS VISITED WITH THE SHAH A NUMBER OF TIMES, AND [REDACTED] IS FREQUENTLY ON THE ISLAND WITH HIM. I DID MENTION TO PRES ROYD THE JAN 4 EPISODE WHEN [REDACTED] WAS NOT ALLOWED TO ACCOMPANY THE SHAH TO PANAMA CITY, AND ROYD, SEEMINGLY AWARE OF THAT SITUATION, SAID THAT IN FACT THE SHAH HAD WANTED A "NIGHT ON THE TOWN" WITHOUT HIS STAFF TAGGING ALONG (OR HIS WIFE, FOR THAT MATTER). IN SUBSEQUENT DAYS, THE REFUSAL OF THE PANAMANIANs TO LET [REDACTED] ACCOMPANY THE SHAH ON VISITS TO POTENTIAL REAL ESTATE MIGHT BE EXPLAINED BY THE VERY BAD RELATIONS HE SEEMS TO HAVE NOW WITH COL. NORIEGA, [REDACTED] AND OTHERS. IT IS POSSIBLE, THEREFORE, THAT SOME OF [REDACTED] STORY MAY BE ATTRIBUTED TO THE BAD RELATIONS HE AND HIS ASSOCIATES HAVE DEVELOPED WITH THE PANAMANIANs. NEVERTHELESS, HE CLAIMS HE HAS DETAILED BILLS TO COVER ALL OF THE EXAGGERATED COSTS, AND THAT THE BAD RELATIONS WERE CAUSED BY HIS TRYING TO BRING THE COSTS WITHIN REASONABLE BOUNDS.

11. SINCE EARLY DURING THE SHAH'S VISIT, IT WAS APPARENT THAT THE PANAMANIANs WERE EXTREMELY SENSITIVE TO THE CHARGE THAT PANAMA WAS AN AGENT OF THE US AND DOING OUR WORK, AND THAT WE WERE STILL TAKING CARE OF THE SHAH WHILE HE WAS HERE. FOR THAT REASON, I DISCONTINUED MY VISITS TO THE ISLAND. I DID HAVE TO STEP IN AND SMOOTH THINGS ALONG WHEN THE ISSUE CAME UP OF WHETHER THE SHAH

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SHOULD HAVE MEDICAL TREATMENT IN GORGAS OR A PANAMANIAN HOSPITAL, WHICH AT ONE POINT WAS AN ITEM OF GREAT SENSITIVITY. I HAVE BEEN IN COMMUNICATION EVERY OTHER DAY OR SO WITH MEMBERS OF THE SHAH'S AMERICAN STAFF. THE SHAH IS VERY SENSITIVE TO THE EXTREME PANAMANIAN NATIONALISM INVOLVED WITH HIS PRESENCE, AND HAS NOT WANTED THE UNITED STATES TO BE INVOLVED WITH HIS AFFAIRS HERE FOR THAT REASON.

12. PANAMA HAS EXPERIENCED CONSIDERABLE DIFFICULTIES OVER THE SHAH'S PRESENCE HERE. SMALL BUT VIOLENT STUDENT RIOTS HAVE OCCURRED ON NUMEROUS OCCASIONS, AND THE LEFT-WING OPPOSITION HAS USED THE SHAH'S PRESENCE AS A RALLYING POINT TO EMBARRASS THE GOVT. STUDENT DISTURBANCES HAVE BROKEN OUT AGAIN TODAY IN COLON AND PANAMA CITY AND THREATEN TO CONTINUE THIS WEEK. RIGHT-WING OPPOSITION HAS USED THE GOVT'S OFTEN HARSH TREATMENT OF THE STUDENT DEMONSTRATORS TO EMBARRASS THE GOVT, ALLEGING VIOLATIONS OF HUMAN RIGHTS AND DICTATORIAL METHODS.

13. RECOMMENDATIONS:

A) WE SHOULD NOT, AT THIS POINT, INTERVENE WITH THE GOP DIRECTLY ON THE SUBJECT OF THE POINTS RAISED BY ARMAO. THE SHAH DOES NOT WANT TO CREATE FRICTION WITH THE GOP,

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DOES NOT FEEL THIS WOULD BENEFIT HIM, AND DOES NOT WANT OUR RELATIONS WITH PANAMA TO SUFFER ON ACCOUNT OF THESE PROBLEMS. THE PANAMANIAN, IN FACT, HAVE EXPERIENCED REAL POLITICAL DIFFICULTIES DURING THIS TIME. THEY PROBABLY FEEL THEY ARE ENTITLED TO GOUGE THE SHAH A BIT. WE ESPECIALLY DO NOT WANT TO RISK THEIR GETTING ANGRY AND ORDERING THE SHAH OUT OF THE COUNTRY WHEN HE HAS NOWHERE ELSE TO GO, AND IF WE PRESS THE PANAMANIAN AT THIS SENSITIVE TIME, SUCH MIGHT BE THE RISK.

B) WE SHOULD NOT RPT NOT DELIVER THE TWO NOTES PROPOSED FOR HAMILTON JORDAN TO SEND TO PRES ROYO AND GEN TOKRIJUS. IF AFTER THE SHAH'S DEPARTURE, ADVERSE PUBLICITY ARISES OUT OF THE ABOVE MENTIONED CIRCUMSTANCES, THESE NOTES MIGHT BE AN EMBARRASSMENT.

C) I COULD EXPLORE VERY CAREFULLY WITH A PERSON SUCH AS [REDACTED] THE QUESTION OF WHY THE RELATIONS BETWEEN THE SHAH'S AMERICAN STAFF AND THE GUP/GN ARE APPARENTLY SO BAD. THIS IS NOT LIKELY TO GET ME VERY FAR, HOWEVER, BECAUSE [REDACTED] HAS ALREADY INDICATED TO ME THAT HE THINKS THE SHAH'S AMERICAN STAFF ARE A BUNCH OF "HOMOSEXUALS" WHO WANT TO KEEP CONTROL OF THE SHAH AND HIS FAMILY, AND HE HAS MENTIONED TO ME WITHIN THE LAST COUPLE OF DAYS THAT IT WOULD BE BETTER IF THEY WERE REMOVED FROM THE COUNTRY. GABRIEL IS SUFFICIENTLY EMOTIONAL THAT I DO NOT RPT NOT BELIEVE THAT I OUGHT TO RAISE WITH HIM THE SUBJECT OF THE APPARENTLY EXCESSIVE EXPENSES.

D) I HAVE ALREADY RECOMMENDED TO [REDACTED] THAT, IF THE SHAH DECIDES TO MOVE TO THE MOTEL LA SIESTA, SOMEONE ON HIS STAFF WHO CAN STILL TALK TO THE PANAMANIAN (FOR EXAMPLE, COL. JHANNINI) SHOULD TRY TO GET A PRIOR AGREEMENT UN

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PRECISELY WHAT REGULAR CHARGES WILL BE MADE AND THAT ANY
ADDITIONAL CHARGES MUST BE ON THE BASIS OF A SPECIFIC
REQUEST BY THE SHAH, [REDACTED] SAID THAT WAS A GOOD IDEA,
BUT HE DOUBTS THE PANAMANIAN WILL BE PINNED DOWN. IT
IS A POINT, HOWEVER, THAT I MIGHT TRY TO EXPLORE DELI-
CATELY WITH [REDACTED] MOSS

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NOBIS
E.O. 12958: GDS #1/12/86 (MOSS, A.H.) OR-M
TAGS: PEPR, IR, PN, US
SUBJ: IRANIAN DEVELOPMENTS

1. C - ENTIRE TEXT

2. PRESIDENT ROYO RECEIVED A TELEX FROM TEHRAN ABOUT 7:30 JANUARY 11 REQUESTING THAT THE GOP ARREST THE SHAH IN ACCORDANCE WITH PANAMANIAN DOMESTIC LAW ON EXTRADITION, PENDING FORMAL SUBMISSION OF EXTRADITION REQUEST WITHIN 60 DAYS. ROYO'S IMMEDIATE REACTION WAS ONE OF UNCERTAINTY AND HE SAID HIS OPTIONS SEEMED TO BE EITHER TO DECLARE A SORT OF "HOUSE ARREST" IN ORDER TO COMPLY WITH THE LAW OR TO APPLY HIS "CLEAN HANDS" DOCTRINE AND IGNORE THE REQUEST. CONGRESSMAN BOWEN AND I WERE WITH ROYO AT THE TIME AND ARGUED FOR THE LATTER APPROACH.



2. ROYO SAID HE WAS CONCERNED ABOUT THE POSSIBILITY OF A UNITED NATIONS "TRIAL". IF SUCH FORUM FOUND THE SHAH GUILTY, HE SAID, IT WOULD BE EMBARRASSING FOR PANAMA TO KEEP THE SHAH. HE MUSED THAT HE "MIGHT HAVE TO PUT THE SHAH AND HIS FAMILY ON AN AIRPLANE AND SEND THEM TO THE UNITED NATIONS HEADQUARTERS.

3. CONGRESSMAN WILLIAM DICKINSON (R. ALA.), MEMBER OF HOUSE ARMED SERVICES COMM. VISITING HERE, SPENT AN HOUR WITH THE SHAH AFTERNOON OF JAN. 11. ACCORDING TO DICKINSON'S ESCORT OFFICER (MAJ. GEN. TANGLEY), THE SHAH APPARENTLY EXPRESSED A GENERAL DESIRE TO LEAVE PANAMA FOR EUROPE BUT AS FAR AS WE CAN TELL DID NOT SAY ANYTHING HE WOULD FIND EMBARRASSING. DICKINSON TAPED HIS CONVERSATION WITH THE SHAH. MOSS
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***** WSR COMMENT *****

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E.O. 12958, Sec. 3.6
PER 4/12/97 G. H. RE NLC-97-15
BY [Signature] NARS. DATE 9/27/97

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EXDIS USEEC USDECO
E.O. 12065: GDS 1/12/86

TAGS: ETRD, ENRG, PORG, UNSC, IR

SUBJECT: POSSIBLE IRANIAN CUTOFF OF OIL SHIPMENTS

IN EVENT OF SANCTIONS
REF: (A) STATE 8679 (NOTAL) (B) USUN 127 (NOTAL)

*****WHSR COMMENT*****

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EOB:CORB,HUNT

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PAGE 01

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PER 6/14/97 SA HR MLC-97-15
BY 9 NARS. DATE 8/27/97
TOR: 013/03:10Z DTG:122357Z JAN 82

1' (C - ENTIRE TEXT).

2' ACCORDING TO REPORTS IN JANUARY 12 PRESS, IRANIAN OIL MINISTER MOINFAR STATED IN JANUARY 11 INTERVIEW THAT "IF THINGS COME TO A HEAD, WE WILL DEFINITELY USE THE OIL WEAPON, BECAUSE THE WEST NEEDS OUR PETROLEUM MORE THAN WE NEED OIL INCOME....WE WILL CUT OIL SUPPLIES TO ANY COUNTRY WHICH IMPOSES SANCTIONS AGAINST US."

3' DEPUTY SECRETARY CHRISTOPHER AND UNDERSECRETARY COOPER WILL PLAN TO DISCUSS THIS QUESTION DURING THEIR FORTHCOMING TRIP TO SEVERAL MAJOR EUROPEAN CAPITALS. MEANWHILE, ACTION ADDRESSEES SHOULD RAISE MATTER WITH FOREIGN MINISTRIES AT HIGHEST APPROPRIATE LEVEL, ON FOLLOWING LINES IF YOU HAVE ANY FEAR THAT IRANIAN THREAT WILL AFFECT THE POSITION OF THE HOST GOVERNMENT TOWARD SANCTIONS:

- ON JANUARY 11 WE AGREED TO POSTPONEMENT UNTIL 1800 NEW YORK TIME JANUARY 12 OF SECURITY COUNCIL MEETING ON IRANIAN CRISIS. WE AGREED TO DELAY AFTER IRANIAN AMBASSADOR IN NEW YORK APPROACHED SECRETARY GENERAL WALDHEIM WITH A "PROPOSAL" FOR RESOLVING THE CRISIS. "PROPOSAL" WAS UNCLEAR AND WAS NOT IN WRITING. WE AGREED TO DELAY IN ORDER TO ALLOW TIME FOR PRECISE CLARIFICATION. AS US AMBASSADOR MCHENRY STATED IN SECURITY COUNCIL, ON BASIS OF PAST EXPERIENCE, WE DO NOT EXPECT ANY CONSTRUCTIVE IRANIAN RESPONSE. WE PRESENTLY EXPECT TO PRESS AHEAD FOR A VOTE AT JANUARY 12 EVENING MEETING UNLESS THERE ARE UNEXPECTED POSITIVE DEVELOPMENTS.

- WE HAVE AT LEAST 14 VOTES IN THE COUNCIL, MORE THAN THE NINE REQUIRED FOR APPROVAL OF THE SANCTIONS RESOLUTION. WE DO NOT KNOW WHETHER THE SOVIETS WILL VETO THE RESOLUTION. IF THEY DO NOT, AS THINGS STAND NOW THE RESOLUTION WILL BE APPROVED AND SANCTIONS WILL BE IMPOSED. IF THE SOVIETS VETO, WE WILL BE SEEKING AGREEMENT OF OTHER COUNTRIES TO TAKE STEPS IN FULFILLMENT OF SECURITY COUNCIL RESOLUTION 461, WHICH IN OPERATIVE PARAGRAPH 8 STATES: "DECIDES TO MEET ON 7 JANUARY 1980 IN ORDER TO REVIEW THE SITUATION AND, IN THE EVENT OF NON-

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COMPLIANCE WITH THIS RESOLUTION, TO ADOPT EFFECTIVE MEASURES UNDER ARTICLES 39 AND 41 OF THE CHARTER OF THE UNITED NATIONS."

THE IRANIANS HAVE NOW THREATENED TO EMBARGO OIL TO COUNTRIES PARTICIPATING IN ECONOMIC SANCTIONS AGAINST IRAN. WE BELIEVE THAT THE COUNTRIES CONSIDERING SANCTIONS SHOULD NOT BE DETERRED BY THIS SORT OF THREAT. THE INTERNATIONAL COMMUNITY WILL LOSE ALL CREDIBILITY IF BECAUSE OF SUCH THREATS IT FAILED TO USE THE WORLD'S ACCEPTED PROCEDURES TO TAKE MEASURES TO RESPOND TO THREATS TO INTERNATIONAL PEACE AND SECURITY.

SUCH A COUNTER-EFFORT BY IRAN WOULD BE BLUNTED IN ANY CASE. FOR ONE THING, WE EXPECT THE DEMAND/SUPPLY SITUATION TO BE RELATIVELY FAVORABLE AT LEAST THROUGH THE FIRST QUARTER. FURTHERMORE, UNLESS IRANIANS CUT PRODUCTION, THE TOTAL AMOUNT OF OIL AVAILABLE TO THE WORLD COMMUNITY WOULD NOT CHANGE. THE PATTERN OF SUPPLIERS AND CONSUMERS WOULD SIMPLY ALTER. MOREOVER, IT IS MOST PROBABLE THAT THE IRANIANS' NEED FOR OIL REVENUES WILL MAKE THEM STOP FAR SHORT OF ANY TOTAL CUT-OFF OF OIL EXPORTS.

TO THE EXTENT THAT SUPPLY LEVELS MIGHT POSE A PROBLEM, WE BELIEVE THAT THIS CAN BE HANDLED. (IN IEA COUNTRIES YOU SHOULD SAY THAT IF A SHORTFALL MAKES IT NECESSARY TO INVOKE THE SHARING PROVISIONS, WE ARE READY TO COOPERATE. THIS IN ITSELF WILL BE HELPFUL TO THE SUPPLIES OF THE REST OF THE WORLD).

REPEATED DECISIONS BY THE SECURITY COUNCIL DEMONSTRATE THAT THE HOSTAGES ISSUE IS JUST AS IMPORTANT TO THE WORLD AS A WHOLE AS IT IS TO THE UNITED STATES. WE HAVE CONSIDERED CAREFULLY THE POSSIBLE RELATIONSHIP BETWEEN THIS ISSUE AND THE OVERALL SITUATION IN SOUTH AND SOUTHWEST ASIA FOLLOWING THE SOVIET INVASION OF AFGHANISTAN. WE BELIEVE THAT IMPLEMENTATION OF SANCTIONS -- WHICH YESTERDAY'S DEVELOPMENTS CONFIRM ARE FORCING THE IRANIAN AUTHORITIES TO FACE UP TO THEIR RESPONSIBILITIES -- IS THE BEST COURSE FOR US ALL TO FOLLOW IN ORDER TO RESOLVE THIS ISSUE AND HELP PREVENT FURTHER DETERIORATION OF THE SITUATION IN THE REGION.

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1. The first part of the report...

2. The second part of the report...

3. The third part of the report...

4. The fourth part of the report...

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E.O.12958, Sec.3.6
PER 412197 CML/ARE NLC-9745
BY [Signature] NARS DATE 8/27/97

POSITION'S CREDIBILITY WOULD BE UNDERMINED, AND THE PANAMA LEASE WOULD BE IN JEOPARDY TO FIND A SOLUTION.

4. SALAZAR SAID THAT GHOZIZADEH HAD SAID TO US THAT THEIR NEXT GOAL WAS TO HOLD THE HOSTAGES UNTIL THE COUNTRY WENT TO A PRESIDENTIAL ELECTION. HE SAID THAT GHOZIZADEH DID NOT REALLY WANT THE SHIP TO BE RELEASED JUST TO SEE THE ISSUE OF THE SHIP.

5. SALAZAR ALSO MENTIONED A NUMBER OF OTHER GOALS WHICH THEY ADVANCED BY GHOZIZADEH: THAT THE SHIP, "KIM KISSINGER," WOULD BE USED AS A BASSY BY PANAMA TO STABILIZE THE AREA AND PREVENT THE STUDENT AND GHOZIZADEH, ARE NIGHTMARE PANAMAS WHOSE ACTIONS ARE DESIGNED TO ANNIHILATE KISSINGER AND FORCE HIM TO TAKE EVEN MORE RADICAL MEASURES THAN THEY. GHOZIZADEH HAS INFILTRATED HIS OWN STUDENTS ON THE SHIP AND CAN CONTROL EVENTS.

7. AFTER A LENGTHY DISCUSSION OF EVENTS, TORRINO SAID THAT HE HAD MADE A "NOTE VERBALE TO PRESIDENT KISSINGER," WHICH SALAZAR WROTE DOWN. SOME OF IT IS COURSE IN TORRINO'S USUAL STYLE, FOR WHICH I INCLUDE AN AUTHENTIC INTERPRETATION. THE OTHERS PRESENT AGREED WITH IT AND MADE SOME CORRECTIONS TO ITS COMPOSITION. TRANSLATION FOLLOWS:

- A) THE CONCESSIONS WERE GIVEN ONLY THROUGH A CHANNEL WHICH IS NOT VERY ACCESSIBLE TO THE ITALIANS. THE PROPOSAL IS A GOOD ONE IF IT HAS BEEN ADVANCED BEFORE THE PROPER AUTHORITIES. IT DOES NOT OPTIMIZE. (COMMENT: THE CONCESSIONS REFERRED TO ARE THE RECOGNITION OF THE RIGHT TO EXTRADITION AND THE APPOINTMENT OF AN INTERNATIONAL COMMISSION OF INQUIRY. THE PANAMANIANS OBVIOUSLY FEEL THAT THEY WOULD HAVE BEEN A MORE ACCEPTABLE CHANNEL TO USE THAN SALAZAR.)
- B) THE SITUATION IS VERY FLUID AND THE ABILITY TO REACT TO IT IS SLOW. (COMMENT: THE USS IS NOT ABLE TO MOVE QUICKLY ENOUGH TO TAKE ADVANTAGE OF SHIFTING EVENTS.)
- C) A VOTE OF CONFIDENCE DOES NOT REQUIRE GIVING A BLANK CHECK; THE FATE OF THE PRISONER IS DETERMINED BY THE JAILER. IT IS UNDESIRABLE TO SAY THAT WE HAVE TO KEEP SWAPPING THE SHIP EVERY DAY. (COMMENT: THERE ARE THREE SOMEWHAT INTERRELATED THOUGHTS. THE FIRST IS THAT THE PANAMANIANS ARE NOT GIVING A VOTE OF CONFIDENCE TO US TO HELP OUT WITH THE SITUATION BUT THAT WE ARE IN A GREAT RISK IN NOT DOING IT. THE SECOND IS THAT THE SHIP IS BEING USED BY THE STUDENTS AND WE CAN CONTROL IT.)

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WHAT IS TO BE DONE WITH HIM, THE TRINO EXPRESSED IRRESOLUTION THAT THERE SHOULD BE A BY COURT IN TORRIGLIANO AND THAT HE WILL NOT DELIVER THE MAN TO LEAD; HE SAID THAT HIS

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NOOIS
WORD, SINCE GIVE IS LEFT PERMANENT AND THAT HE HAS BEEN
LET US DOWN AND ALL NOT GO SO, I
D) YOU HAVE NOT BEEN ABLE TO TAKE ADVANTAGE OF DAY VI
OUT A PLAN ON THE GROUND. WE BELIEVE THAT IF YOU GIVE
US CERTAIN TOOLS, THAT IN A CONVERSATION WITH GELINZAN
IT IS POSSIBLE THAT WE WILL BE ABLE TO PROGRAM THE GROUND
DOWN BETWEEN NOW AND JAN 25 WHICH WILL COORDINATE IN THE
FEELING OF THE HOSTAGES.
E) OUR TEAM WILL STAY IN UNTIL WE ARE SURE THAT WE ARE
NOT GOING TO DO SOMETHING TO MAKE IS LONG PROLONGED,
AS A MATTER OF PRINCIPLE, WE DO NOT GO TO PARTIES WHERE
WE ARE NOT INVITED. WE WENT TO THE PARTY IN TEHRAN ON
ACCOUNT OF THE INSISTENT INVITATION OF THE OTHER SIDE.
F) IF THERE IS NO COORDINATION, INSTEAD OF SHOOTING AT
THE TARGET, WE ARE JUST FIRING BLANKS INTO THE AIR.
(COMMENT: THIS POINT WAS ORIGINALLY FORMULATED IN A
DIFFERENT WAY, THEN CHANGED SO AS NOT TO FRIGHTEN OR
GIVE OFFENSE. IT ORIGINALLY STATED THAT IF THERE IS NO
COORDINATION, EACH PARTY WILL HAVE TO BE FREE TO DECIDE
WHAT TO DO IN ITS OWN BEST INTERESTS, SUCH AS YOU SAID,
OBVIOUSLY, IS SOMEWHAT INCONSISTENT WITH THE PREVIOUS
POINT IN PARAGRAPH. REGARDING THE COOPERATION, THERE WAS
A CERTAIN ADMIRATION FOR THE PAKISTANI ATTITUDE AS THEY
SAID, ON THE ONE HAND, THAT THE HOSTAGES ARE NOT INVOLVED
AND THEREFORE THEY HAVE TO RESPECT THE DESIRES OF THE
WITH THE SITUATION, AND, ON THE OTHER HAND, THE
FEELING THAT THEY ARE PARTIALS BECAUSE OF THEIR
IN THE SHAH, THAT THE SHAH'S PRESENCE REPRESENTS
DANGER TO PAKISTAN, AND THAT THEY HAVE THE RIGHT TO
OF THE ACTION WHETHER OR NOT IT IS TO THEM OR NOT.
G) ANY STATEMENT ON THE PART OF THE SHAH OR I OR PRES
CARTER WILL NOT BE A ONE-WAY TICKET TO TEHRAN. HOWEVER,
THIS IS NOT A ONE-WAY TICKET TO TEHRAN, BUT IT IS A

RECALLED
PAGE 01

RN1082342

TEL: 314/161512

OTS: 141000 11M 9

~~SECRET~~

***** COPY

THE PANAMA ENDS ALL SORTS OF THREATS TO THE SHAP IF WE DO NOT
SOME UP AND TAKE INITIATIVES IN ORDER TO PRESERVE CONTROL
H; YOU SHOULD NOT IMPROVE THE LIMITS ON USABLE PEOPLE
BECAUSE THEY REACT WITH A KIND OF REACTION WHICH IS UN-
PREDICTABLE AND UNSTABLE. HOWEVER, IN THE CASE OF THE
IRANIANS, WHEN THEY TALK TO US DIRECTLY I WOULD ONLY
CONVINCE YOUR SENSIBILITY WITH THE AILING WE CAN GET.
(COMMENT: THIS POINT IS SIMPLY A FURTHER EXPRESSION OF
FRUSTRATION THAT WE ALSO HAVE TO USE ITS OWNERS THE LINE
ADVANTAGE WITH A VIEW TO SAVING NEGOTIATIONS WITH
THE IRANIANS.)

I) UP UNTIL NOW, YOUR ATTITUDE HAS BEEN REASONABLE AND
RESPONSIBLE. YOU JUST COME IN IN THE NAME OF... (COM-
MENT: THIS POINT REVEALS RECOGNITION TO THE FACTS AND
PROBABLE REASONS WHY THE CENTER IS SUBJECT TO BECAUSE OF
THE HOSTAGES HAVING REMAINED IN CAPTIVITY FOR SEVERAL
DAYS.)

J) IN ORDER TO HAVE THEIR COUNTRY GO ALSO BECAUSE OF
THEIR OWN POLITICAL OBJECTIVES, WITH LEADERS WHO...
OTHER. (COMMENT: BASED ON THE REPORTS BY SALAMI AND
RONOLD BOGHRAN RETANACOURT, TORRINO BELIEVES THAT
GHOTBZADEH WANTS TO COME TO TERMS WITH THE UNITED STATES
AND TO END THE CONFLICT WITH US AND WITH US BY THE PRESENT
SITUATION. HE SAYS THAT GHOTBZADEH FEELS HAND-TO-HESS
BECAUSE OF INTERNAL AND EXTERNAL THREATS, AND FEELS
SATISFACTORY SOLUTION OF THE DIFFICULTIES WITH THE
STATE AS INDISPENSABLE TO HIS OWN POLITICAL FUTURE.)

K. I MET WITH PERS ROYD AT WASH THIS MORNING AND REVIEWED
THE GAME PROGRAM WITH HIM. ROYD SAID THAT IT WAS IMPORTANT
THAT THE UNITED STATES AND PANAMA COORDINATE THEIR
ACTIONS AND FEEL THAT THE GAME TEAM WHICH WENT TO FLORIDA
LAST WEEK (1980 12 14, LEVIN, ILUDECA) SHOULD GO TO
WASHINGTON TO WORK OUT DETAILS. IN PARTICULAR, ROYD
SAID, PANAMA HAS PAVED WITH THE NEED TO RESPOND TO THE
GOLF'S DEMAND FOR THE LIFT OF THE BAN AND THE SYMBIO-
TION REQUEST. HE SAID THAT HE WAS CONVINCED THAT
GHOTBZADEH NEEDED A "FACE-SAVING DEVICE" AND AS IF THE
HOSTAGES TO BE FREED, AND THAT PANAMA COULD HELP IN THIS
EFFORT.

L. RECOMMENDATIONS: THE PANAMA IS A FEEL THAT THEY WOULD
A USEFUL AND EFFICIENT DEALER WITH THEM. THEY HAVE TO
SINKED ALL ALONG THAT THE PANAMA PREFERENCE IN THEIR
COUNTRY OBLIGES THEM, FOR REASONS OF SELF-PROTECTION AS
WELL AS THEIR PRACTICE IN THE WORLD, TO DEAL WITH THEM.
WE WERE PARTIALLY SUCCESSFUL FOR A TIME IN GETTING THE
PANAMAHIANS TO TRY IN THE BACKGROUND AND LET US TRY
OUR OWN INITIATIVE FOR AND. AS RECENT EVENTS HAVE SHOWN,

RECALLED
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NO EVER, IT IS UNREALISTIC TO EXPECT THE PANAMAIS TO
REMAIN INACTIVE. IF IT IS IMPORTANT THAT PANAMAIS
BT

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RECALLED

PAGE 13

OF 13

TOP SECRET

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SECRET

6

TO DIRECTOR
FROM [illegible]
SUBJECT: [illegible]

TO GOVERNMENT [illegible]

SECRET SECTION [illegible]

WORLD
ACTIONS AND INITIATIVES BE PROGRAMMED TO COORDINATE WITH
OURS, I WOULD BE GLAD TO INVITE G. ROY AND I WOULD BE GLAD TO
SEND FOR REPRESENTATION TO WASHINGTON IMMEDIATELY, TO
DRAW UP A DETAILED PLAN OF ACTION WHICH WOULD GIVE THE
PANAMA A DIFFERENTIAL SUBSTANTIVE ROLE. THE MAIN LINE
OF SUCH COURSE OF ACTION IS THAT IT WOULD GIVE THE
MEASURE OF CONTROL OVER THE PANAMA AND SAY IN
IN RESPONSE TO THE PANAMA FOR THE SHARPS AGAINST AN
EXTRADITION. IT WILL BE SATISFY THE PANAMA SUFFICIENTLY
TO TELL THEM THAT WE WILL BE VERY CLOSELY INTERESTED,
AND THEN TO INTERFERE WITH THEM HAVE DONE AFTER THE
FACT, EVEN THOUGH THIS IS MORE PROBABLY, LOSS

BT

RECEIVED [illegible] [illegible] [illegible] [illegible] [illegible] [illegible]

THE WHITE HOUSE

WASHINGTON

SECRET-SENSITIVE

January 14, 1980

MEMORANDUM

FROM: LLOYD N. CUTLER *LNC*

SUBJECT: MEETING WITH AMBASSADOR MARGAIN

Secretary of the Navy Hidalgo had me to lunch today with Ambassador Hugo Margain of Mexico. Hidalgo and Margain are former law partners from Eddy's time as the American senior partner in an American-Mexican law firm in Mexico City. Hidalgo arranged the lunch to give Margain an opportunity to express his concern about the deterioration in U.S.-Mexican relations since the Mexican decision not to permit the return of the Shah. Before going I cleared my acceptance of the luncheon with Warren Christopher.

The following points of interests developed:

1. According to Margain he believed Lopez Portillo had made him the principal channel of communication with the U.S. Government on the return of the Shah. Around mid-November he advised David Newsom and Peter Vaky at State that Lopez Portillo was concerned about the Shah's return, and wanted at least eight days notice before his return so that the matter could be examined carefully.
2. Margain says they advised him to convey the messages directly to the Shah's representatives and to deal with them about the return. Margain did so.
3. Although Margain had never received any notice of the date of intended return from State or from the Shah, Margain received a telephone call from Lopez Portillo on the 29th, in which Lopez Portillo advised that he had decided not to permit the Shah's return, because the potential for disturbances was not in Mexico's best interests. Lopez Portillo instructed him to advise State and the Shah and he did so.

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PER 9/30/97 NLC H/RE NLC-97-116
BY *[Signature]* NARS DATE 1/23/98

4. Based on his understanding of the facts he was very concerned to read stories in the press about Mexico's "double cross" and how upset the U.S. Government felt about it. He and his Government were particularly disturbed about the Jack Nelson article referring to a written communication from Lopez Portillo to the Shah, purportedly dated October 20, stating that the Shah could return. He and Lopez Portillo deny that any such written message from Lopez Portillo exists.

5. I informed the Ambassador of my own involvement in the negotiations with the Shah and in the various U.S. Government meetings on the subject. I told him it was my understanding that the USG had been in touch with the Mexican Government both through him and through our Embassy in Mexico, and had indeed given a week's notice of the Shah's readiness to return. I also told him I had seen myself a cable from our Embassy in Mexico dated November 29, explicitly stating that the Mexican Foreign Ministry had informed our Embassy that the Shah could return, subject to the contingency that he might later be asked to leave if there were serious disturbances as a result of his return. I said that when we received his telephone call the very same afternoon we naturally interpreted it as a last minute change of position. I said we were further disturbed by the fact that Secretary Vance could not reach Lopez Portillo, that we had merely been told but never been consulted on the subject before the Mexican Foreign Ministry held its own press conference announcing the decision on the afternoon of the 29th, and that the Mexican Government must have known what a serious blow its action would be to our hopes for having the Shah leave at the conclusion of his treatment that very weekend, in order to improve the negotiating atmosphere for the return of the hostages.

6. I also said that we were concerned not only at the effect of Mexico's action on our hopes for the early return of the hostages. Since Mexico was immune from any economic and political pressure by the Iranians we had to speculate that the last minute reversal of position on the return of the Shah might be a calculated Mexican decision that it preferred to improve its position with the Third World. even at the cost of impairing its relationship with the U.S. and that this was an ominous portent for the future of our relationship. I added that Mexico's abstention from

the Iranian sanction vote yesterday did nothing to ease this concern.

7. Ambassador Margain said he was unaware of the cable from our Embassy in Mexico on the 29th, and believes there must have been a misunderstanding. He said he personally disapproved of the Mexican abstention at the Security Council yesterday. He said he knows Lopez Portillo extremely well (Margain was succeeded by Lopez Portillo as Minister of the Treasury) and that he is sure Lopez Portillo values the U.S./Mexican relationship much more than Mexico's standing in the Third World. He pointed out that Mexico had strongly criticized the seizure of the hostages, that it had closed its Tehran Embassy in protest and that it had voted only last week to support the referral of the Afghanistan resolution from the Security Council to the General Assembly.

8. We then had a discussion as to what could be done to improve the relationship. I referred to the grain embargo and the critical importance of maintaining U.S. prices in the U.S. grain market. I said we had heard a rumor that Mexico might be interested in purchasing grain from the U.S. in barter for oil. I said that the most important single step Mexico could take to improve its relationship would be to move rapidly on a grain purchase if it does need additional supplies.

9. Ambassador Margain said that the Mexican corn and wheat crop had indeed been poor, and that the corn shortage is approximately two million tons. In addition he said Mexico was interested in purchasing wheat. He saw no point to a barter for oil since Mexican oil revenues permit to buy grain for cash. He said he would check immediately on whether there is an interest and let Secretary Bergland or me know.

10. Mexico is also interested in restoring some sort of direct contact between President Lopez Portillo and President Carter. If Mexico is really interested in purchasing more grain, it is possible that the first news may come in a call from President Lopez Portillo to President Carter.

~~SECRET-SENSITIVE~~

Los Angeles Times

WASHINGTON BUREAU

January 9, 1980

JACK NELSON
BUREAU CHIEF

Hugo B. Margain
Ambassador of Mexico
Embassy of Mexico
2829 16th Street, N.W.
Washington, D.C.

Dear Mr. Ambassador:

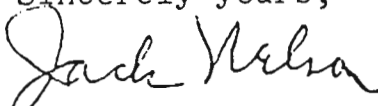
I regret that I have not replied to your letter of December 21, 1979 before now. However, the letter was hand-delivered and mistakingly placed in the mail slot of an office that for some time has not been regularly used by the Los Angeles Times Washington bureau. Therefore, I did not receive the letter until returning to the office today from a vacation in beautiful Cozumel, Mexico.

The only knowledge I had earlier of the letter was the reference to it in Mexican government news releases distributed in Mexico City. I'm sure you are aware of the article I wrote for the Los Angeles Times with reference to that letter and reaction to the letter by Carter Administration officials. I am enclosing a copy of that article because I think it addresses most of the points raised in your letter.

However, I do think I owe you a personal reply. I believe any disagreement you have with the allegation in the article I wrote rest not with me, but with Carter Administration officials. I was quite taken aback by your mention that you were surprised a serious publication such as the Times even considered publishing the allegation that President Lopez-Portillo advised the ex-Shah on investing money in Mexican enterprises. I can assure you that the allegation came from officials very close to President Carter himself.

I can appreciate your disagreement with Carter Administration officials over this matter. But I also assure you that the article was based on first-hand information from Carter Administration officials who were reflecting President Carter's thinking and who obviously felt that President Lopez-Portillo had gone back on his word to the Shah and to the Carter Administration.

Sincerely yours,



Jack Nelson

U.S., Mexico Embroiled in Dispute Over Lopez Portillo's Refusal to Readmit Shah

By JACK NELSON

Los Angeles Times Washington Bureau Chief

WASHINGTON—The Carter Administration and the Mexican government are embroiled in a controversy over the facts surrounding President Jose Lopez Portillo's refusal to readmit the deposed Shah of Iran to Mexico.

Despite denials by the Mexican government, a high-ranking Carter Administration official Saturday insisted that Shah Mohammed Reza Pahlavi came to the United States for medical treatment in October only after receiving written assurances from Lopez Portillo that he would be welcomed back to Mexico and granted asylum.

To support his contention, the official showed a Los Angeles Times reporter the text of a secret cable that said the State Department had been informed of Lopez Portillo's promise by representatives of David Rockefeller, chairman of Chase Manhattan Bank in New York.

The cable—from Under Secretary of State Warren M. Christopher—instructed U.S. Embassy officials in Mexico City to inform the Mexican government of the shah's plan to visit the United States and to express appreciation for Lopez Portillo's decision that the shah could return to Mexico.

The Mexican government, however, denies any such decision had been made. Hugo B. Margain, Mexico's ambassador to Washington, said a Times story published Thursday contained entirely false assertions. The article quoted a Carter Administration official as saying that U.S. officials were aware of Lopez Portillo's assurances to the shah and therefore were stunned when the Mexican president decided Nov. 29 not to permit the shah to return to Mexico.

Margain wrote a 12-paragraph letter Friday to The Times denying the story, saying that at no time had the Mexican government offered to grant the shah asylum. Although The Times has not received a copy of the letter in Los Angeles, texts of it were quoted in a Mexican government press statement released in Mexico City.

Margain took sharp exception to several parts of the story, including a Carter Administration official's statement that Lopez Portillo had visited the shah when he was living in Mexico and tried to persuade him to invest in several Mexican enterprises.

Margain wrote that Lopez Portillo had never made such a visit to the shah and would never diminish his high office by counseling on investments.

"It surprises me that such a serious newspaper would even consider publishing such an absurd assertion," Margain said.

A source close to President Carter countered Saturday that the shah himself had told the top Administration official that Lopez Portillo had

introduced him to several private entrepreneurs and urged him to invest in their enterprises.

The State Department's cable and Margain's letter offer widely differing accounts of the facts surrounding the shah's departure for the United States and Lopez Portillo's refusal to readmit him to Mexico.

The cable, dated Oct. 21, the day before the shah left Mexico for New York where he was treated for cancer, was titled, "The Shah's Illness." It opened with this message:

"Rockefeller's office has informed us that Lopez Portillo sent the following message to the former shah on Oct. 20 responding to a request made to him by the shah to permit shah's return to Mexico following medical treatment in U.S.:

"Your home is always Mexico. This is your country. You are always welcome. We are distressed and disturbed by your health. A king should have premier medical treatment. You

Margain asked for an eight-day notice of plans to move the shah.

should go to the United States and we await your return. You can live anywhere in Mexico; be it Cuernavaca, Acapulco or Mexico City. We will give you security and asylum.

(The Shah lived in a rented house in Cuernavaca from June 18 to Oct. 22, when he went to New York. Lopez Portillo's decision not to readmit him touched off an urgent search for a new sanctuary that did not end until Dec. 14, when Panama agreed to accept him.)

In the cable, Christopher instructed embassy officials to convey the following message immediately to the Mexican government:

"We have decided to permit shah to come to U.S. for private medical treatment on recommendation of French and American doctors who have been treating him. Their medical report has revealed that shah has serious condition immediately requiring further diagnosis and evaluation.

"We understand that President Lopez Portillo has agreed to the shah's request to keep open the possibility of his returning to Mexico following his forthcoming medical treatment in the U.S. We wish to express our appreciation for this decision.

"He and Shabbanou (the shah's wife, Empress Farah) will be traveling to U.S. immediately. We do not plan to publicize the travel and we would appreciate your government's cooperation in maintaining confidentiality. If news of travel leaks, we plan low-key confirmation that shah is coming to U.S. for diagnosis and evaluation. We will keep you informed of developments following further medical evaluation."

Representatives of Rockefeller, who has had a longstanding friendship and financial relationship with the shah, worked with the State Department in making the shah's travel arrangements on an "extremely confidential basis," according to the cable.

Neither Rockefeller nor a spokesman for the shah was available for comment Saturday.

Ambassador Margain, in his letter to The Times, said that when the shah decided to go to New York for treatment, Lopez Portillo told the former Iranian leader he could return to Mexico while his tourist visa was in effect because it was granted for multiple entries.

But the Mexican government never gave U.S. officials any assurances that it would readmit the shah after his treatment, and the officials never officially asked Mexico for such assurances, Margain said.

The shah had been admitted to Mexico in the first place on a temporary, six-month tourist visa, Margain said, and Lopez Portillo's decision not to renew it upon its expiration Dec. 9 was made to protect legitimate national interests.

When press agencies first began reporting in early November that the shah would soon leave the hospital and return to Mexico, Margain said that he asked for eight days' notice of such plans so a decision could be made. He said he warned at the time that otherwise, there was a danger the shah would be turned away by Mexico.

On Nov. 29, he said, the Mexican government received information that the shah was proposing to journey to Mexico four days later.

By now, however, circumstances had drastically changed. Militants who had seized American hostages in Iran were demanding the return of the shah to stand trial. Because of this, Margain said, Lopez Portillo took into account all the risks, dangers and problems that could result for Mexico if the shah was readmitted and decided not to renew his visa.

Also, Margain said, there appeared to be little hope that the shah's readmittance to Mexico would help solve the problem of the hostages in Tehran.

With U.S. and Mexican officials offering such contradictory accounts of circumstances surrounding Lopez Portillo's decision not to readmit the shah, the controversy is unlikely to die down soon and could cause further strain on uneasy U.S.-Mexican relations.

Officially, the U.S. government has yet to make a statement clarifying its position. But statements to The Times by a senior Administration official who made the text of the State Department cable available leaves no doubt that Administration officials are highly perturbed and feel the Mexican president went back on his word to both the shah and the United States.

cc: The President (thru Brzezinski) ✓
Vice President Mondale ✓
Secretary Vance ✓
Dr. Brzezinski ✓
Mr. Christopher ✓
Mr. Aaron
Secretary Hidalgo ✓
Ambassador Kruger ✓
Ambassador Vaky
David Newsom ✓

1/15/80

C

EYES ONLY

TO: PRESIDENT CARTER
FROM: HAMILTON JORDAN *HJ*
RE: SITUATION WITH THE HOSTAGES

I didn't really state to you in a completely frank way either my own assessment of the situation as relates to Panamanian involvement in the hostage negotiations or all of the things that were said to me. I understated what was said to me because I questioned whether it was true and it sounded too self-serving.

Let me give it to you straight. Ghotbzedeh made no bones about the fact that he wanted to go to Panama to "act out the extradition charade" as soon as possible. He said that he had two specific motives: to obtain some good publicity for himself before the national elections and also to meet with me (secretly of course) on the subject of the hostages.

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PER 9/30/97 NLC hmc NLC-97-16
BY *[Signature]* NARS DATE 1/23/98

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I discounted in my own thinking and in the report that I sent you a lot of what was said to me about both my own role in this matter and the significance of the contact between the Panamanians and the Foreign Minister. I attributed a lot of this to Ghotbzedeh's despair that his own campaign is not going well and he is looking for some way to dominate the news and get favorable attention this last week before his national election. And, of course, we don't know if this talk of going to Panama and meeting secretly with me is something that he wants/hopes to do unilaterally or something about which Khomeini has general knowledge. Also, when told about all of this and particularly the "critical role" that the Panamanians described to me, I strongly suspected that they were simply trying to flatter me.

So, my inclination to discount quite a bit all that I heard as relates to my own role in this and Ghotbzedeh's desire to meet with me personally was offset by Hal Saunders' attitude and by the memcom of Richard Cottam's conversation with the Foreign Minister in which he confirmed that he had seen the Panamanians, that he thought that they were an important channel and that we should send the "same man" down there. At that point, I began to take all that

I had heard about the Panamanians and even my own role in this a bit more seriously. Both Hal Saunders and I agree that we have no choice but to keep the Panamanian channel open and nurture it. As he says, the UN channel could close up or something could develop in the Panamanian channel - "we have pursued vigorously and seriously leads that were on the surface much less substantial than this one".

Probably Ghotbzedeh will not be elected and we will be dealing with an entire new cast of characters. Even if he fails to win the election, there is always the chance that Khomeini will insist that he continue as Foreign Minister and/or as the person to try to resolve the hostage situation.

Even if we assume on the frontend that nothing will come of the Panamanian channel, it is in our own interest to keep them generally informed and involved as they have one very critical piece of the puzzle - the Shah.

The few times that I have been actively involved in foreign policy matters - the Panama Canal Treaty, the Mideast arms package, the Middle East, etc. - I have bent overboard to operate in tandem with the State Department, usually with Warren Christopher. But I got the distinct impression from Cy on my latest trip that the Panamanian contact was not serious, that he is suspicious of Torrijos' and that the whole thing was resented because it had been done out of here and by me. In reaction to that, I got Ambler Moss involved, passing a message from you to Torrijos through him. Cy insisted that I restate in that message the fact that we assumed that we continued to have their firm commitment not to extradite the Shah.

My only point in telling you all of this that there is absolutely nothing to be lost by keeping the Panamanians generally informed and involved in this process. I don't have the time or inclination to fool with this, but it is going to require someone at a high level treating it in a serious way. To date, that has not happened.

I have spent a lot of time in the past few days thinking about the hostage situation. I really haven't given it much thought in human terms for the past few weeks. I

know that it is a heavy personal burden for you and Cy.
I have no wife or children, and should the time come that
you needed someone to take considerable personal risks in
pursuing any of these leads or possibilities, I would be
willing to do it. I have thought about this a lot and
am serious about it.

Please return this to me in an envelope.

January 15, 1980

MEMORANDUM

FROM: STEVE OXMAN

SUBJECT: MEETING WITH SHAH'S REPRESENTATIVES

1. Lloyd Cutler and I met today at the Metropolitan Club with Robert Armeo, advisor to the former Shah of Iran, and William Jackson, the former Shah's attorney. Armeo and Jackson had requested the meeting for the purpose of discussing certain aspects of the Shah's stay in Panama. The meeting lasted from 1:15 p.m. until 2:40 p.m.
2. Armeo returned from Panama on Sunday, June 13, 1980. He had been there with the Shah continuously since the Shah's arrival in Panama on December 15, 1979, except for an 8-day period over Christmas. Two of Armeo's assistants - Mr. Mark Morse and Mr. John McMurray - have also been in Panama for most or all of the period since December 15.
3. Armeo began by complaining that Ambler Moss' cable reporting Armeo's recent meeting with Moss, had been leaked, and had led to unfortunate press stories about the Shah's dissatisfaction with conditions in Panama. Armeo claimed that an ABC representative, who was in Panama in connection with the David Frost interview of the Shah, told him that the cable had leaked to ABC's bureau in Washington. Armeo said the Shah was very upset by the news stories that resulted from this alleged leak. Armeo requested that our meeting today be kept completely confidential.
4. Lloyd responded that he doubted very much that the cable had been leaked and that of course our meeting today would be kept confidential.
5. Armeo asserted that the conditions under which the Shah and his party were living in are generally unsatisfactory. He said all of their phone calls are listened to by Panamanian security personnel. (The phone system the U.S. Government had helped install is still in place, Armeo said, but it is a VHF radio phone and therefore is not secure). Further, Armeo complained

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BY J NARS. DATE 1/23/98

that the bills that have been presented to him by the Panamanian security personnel are excessively high and that when he complained about them, the security personnel have, in general, rudely rejected his questions and requests. He asserted the security personnel, from the lowest to the highest levels, have been "nasty" to him and the other Americans in the Shah's party. He conceded that the Shah and his wife have been treated extremely cordially in all respects by all of the involved Panamanians.

6. Armeo seemed particularly upset that the Panamanians had recently prevailed upon the Shah to travel to Panama City at 10:00 pm at night for the purpose of staying overnight at the Panama Hilton before looking at houses around Panama City the next day. Armeo claimed he had insisted on accompanying the Shah but that his request had been rejected. He conceded that the Shah ultimately decided that he would go alone.

7. Armeo claimed that Col. Noriega, the head of the Intelligence Service in Panama, had complained to the Shah about Armeo and his two assistants. They were agents of the State Department, were disloyal, were security risks, and ought to be asked to leave. Armeo asserted that Noriega has been trying to drive a wedge probably because he thinks that with Armeo out of the way no one at the Shah's party will complain about the bills and other financial issues. Armeo said the Shah told Noriega that he could not do without Armeo. Noriego then dropped the issue, according to Armeo.

8. Armeo's other complaints included the following:

-- the hotel bills for the security personnel are inflated and these personnel are charging various luxuries to the Shah's account;

-- a large number of expensive items (such as silver flatware) have been ordered for the house, without consultation with Armeo or the Shah, and the bills have been presented to Armeo;

-- the hotel bill has included a charge of \$10,000 for two small "shacks" on the property where the Shah is staying (Gabriel Lewis property), even though these structures have no apparent connection with the hotel;

-- Armeo's access to the Shah has been impeded.

9. Bill Jackson said that in addition to these annoying "local problems" on Contidora, there was the more troubling issue of whether Torrijos intended to extradite the Shah.

10. Lloyd said that as to the "local problems" it would make sense for the Shah to raise them with Torrijos or President Royo, since his relations with them, according to Armeo, are excellent.

11. Armeo interjected that the local problems seem to have gotten very much better in recent days after he had brought some of his complaints to the attention of General Torrijos' doctor (whom Torrijos had made available to the Shah for medical consultation). Moreover, Armeo went on, now that he has left Panama and intends to stay in New York for some weeks, he thinks the friction with Noriega and his personnel will diminish considerably.

12. On the issue of extradition, Lloyd stated that we do not see any risk of Torrijos allowing extradition to occur. Not only is it not legally possible, in view of the absence of an Extradition Treaty between Panama and Iran, but it would be contrary to the assurances we received before the Shah left for Panama. Lloyd noted that President Carter had recently said publicly that he would not permit the extradition of the Shah. Armeo conceded that Royo had told the Shah that Panama would deal with the Iranian extradition request in accordance with Panamanian legal procedures, and would then deny the request.

13. The larger problem, Armeo said, is that "we simply cannot trust Torrijos". Jackson said he agreed, that the situation was "insecure" and that "somehow there has got to be another place" Armeo complained that of the 80 security personnel assigned to the Shah, the overwhelming majority are blacks who are not literate. Lloyd noted that our original understanding was that the Panamanians would provide all three rings of security at the outset, but that the Shah was free to bring in his own private security personnel as the inner ring whenever he wished. Armeo said Col. Giambini (the Iranian Colonel who is the Shah's principal security advisor) has advised against doing this, since the private personnel would be Americans and there would be friction between them and the Panamanians.

14. I said that the problems troubling Armeo seemed to arise for the most part from an excess of security caution by the Panamanian security personnel. I said it is understandable that they do not want to run any risks with respect to the Shah's safety. Armeo conceded that "the security is excellent".

15. Armeo said there is another major problem on the horizon. He explained that in three weeks the Shah must go into a hospital for tests. General Torrijo's doctor had said it would not be politically acceptable in Panama if the Shah were to go to the American Military Hospital (Gorgas) rather than the leading Panamanian hospital in Panama City (Piatilla). Armeo said Gorgas is clearly preferable, with superior facilities and staff. I asked whether there are objective reasons why the Shah's doctors from New York would be able to function more efficiently and effectively at Gorgas. Armeo said there were such reasons, and I urged that these reasons be used in discussion with the Panamanians so as not to injure their pride. Lloyd suggested the possibility of dividing the tests between the two hospitals or some similar approach.

16. With respect to the Shah's medical condition, Armeo says the size of the Shah's spleen has diminished somewhat and that his "blood count" is holding reasonably stable. He said that the prognosis for the Shah is that his cancer could at anytime metastasize and lead quickly to death. The doctors' best guess, Armeo said, is that the Shah has perhaps another two to three years, but they readily concede that the period could be much less.

17. Armeo said that the Shah's wife is extremely unhappy in Panama. He noted that the visit of the Shah's children over the Christmas vacation went extremely well and thanked us for assisting on the travel arrangements.

18. Armeo asked whether the Afghanistan crisis may have led to a change in Chancellor Kreisky's unwillingness to accept the Shah. Lloyd said he would guess not. Jackson asked whether there is another country to which the Shah could go. Lloyd said we knew of none and that we had certainly checked throughout the world. Jackson said, "we want to get the Shah out of Panama as soon as possible", but acknowledged that no other possibilities appear ripe at this time.

19. Armeo reiterated that he did not trust Torrijos. He said that deep down, he worries that "they're trying to get their hands on the Shah's 'billions' ". He said that while no one has specially asked the Shah to invest in Panama, Gabriel Lewis has offered the Shah financial advice, and he suspects that the Panamanians will become more specific over time.

20. Lloyd said he would review the points that had been made with Hamilton Jordan. He reiterated that his instinct was that the Shah should raise the "local" problems with Torrijos and/or Royo, or even Lewis.

21. Jackson asked what the USG's position is on the "Waldheim proposal" concerning a tribunal to hear charges against the Shah and the United States. Lloyd said we are prepared to go along with some such formula provided the hostages are released before any tribunal begins its proceedings. Jackson inquired as to the legal foundation for any such tribunal. Lloyd responded that the Secretary General has authority to appoint committees or commissions to look into various matters or interests, and that the only nation in a position to object to any inquiry into its internal affairs (Iran) was unlikely to do so.

22. Armeo raised two housekeeping problems. He said the private security personnel protecting the Shah's children in the U.S. need a special radio frequency. Lloyd asked that Armeo put this request in a letter and said we would pass it along to Henry Geller at Commerce. Second, Armeo asked for the status of the visa applications by family members or individuals in the Shah's entourage. Jackson cut in to say that Rocky Suddarth on David Newsom's staff and John Dean in Jackson's office were handling these matters and that everything seemed to be in order.

23. Lloyd concluded by saying that we would stand by the commitments we had made in Texas and that Armeo and Jackson should let us know what they would like us to do. Armeo responded that the Shah does not want us to raise any of the foregoing problems with the Panamanians. Armeo said he wanted to emphasize this point to us. Lloyd said we would not do so unless Armeo requested it. Armeo said that it might be helpful if Hamilton Jordan could ask General Torrijos on the phone "how things are going" with the Shah. Armeo said there was nothing else that he or the Shah want us to do at this time. Jackson also said that "we" (i.e. the Shah's representatives) are going to look quietly into alternative countries, but did not ask our help.

24. Armeo and Jackson said they were very grateful for the opportunity to meet with us and would be back in touch as the situation develops.

MEMORANDUM OF CONVERSATION
(IRAN WORKING GROUP)

DATE: January 18, 1980

TIME: 1330 hours, EST

PARTICIPANTS:

[REDACTED]
Foreign Minister Ghotbzadeh

[REDACTED] found him extremely agitated. The conversation opened with an angry Ghotbzadeh complaining about the ABC report that Khomeini had approved Waldheim as a mediator. Ghotbzadeh said the report had hurt him seriously. He was angry that his denial had not been printed in the U.S. [REDACTED] assured him that it had. Ghotbzadeh said he would issue a second denial anyway.

Ghotbzadeh sounded increasingly desperate in the discussion that followed concerning the extradition trial of the Shah in Panama. It was essential to move quickly on a trial. The trial should be started before the elections. He accused the U.S. of blocking Panama. Ghotbzadeh was angry that the Panamanians wanted to negotiate with him. They wanted the hostages released first. He said, "Don't they understand my situation?" The hostages could only be released after the beginning of the trial -- "Only after it had started."

Ghotbzadeh said if he didn't succeed, the U.S. would have to deal with a Foreign Minister from the extreme right who would be willing to hold the hostages for six months.

[REDACTED] asked him about the investigating commission. Ghotbzadeh said it was something else they had to work on, but obviously the situation in Panama was consuming him. [REDACTED] asked him how could U.S. be sure that the hostages would be released after a trial started. Ghotbzadeh said "My word is enough."

[REDACTED] said he believed Ghotbzadeh's desperation reflected his awareness that he would be cast aside if Bani-Sadr or anyone else were elected President. Thus, Ghotbzadeh's very survival depended on a success in the confrontation with the U.S.

Dist: S, D, P, NEA, NSC (Capt Sick), CIA, (Mr. Cogan)

Drafted: NEA/IWG:HPrecht/dr
1/18/80

SANITIZED
E.O. 12958, Sec. 3.6
PER [REDACTED] RE ALL-47-15
BY [REDACTED] NARS DATE 8/27/97



DEPARTMENT OF STATE

Washington, D.C. 20520

~~SECRET/SENSITIVE~~

MEMORANDUM OF CONVERSATION

PARTICIPANTS:

[REDACTED]
Sadegh Ghotbzadeh

DATE:

0100 hours, January 19, 1980

SUBJECT:

[REDACTED] Ghotbzadeh Conversation

[REDACTED] found Ghotbzadeh in an upbeat mood, although speaking in a low voice, presumably because there were other people in the room. He seemed to think that progress was being made through Waldheim, but it was necessary to have some tangible sign of motion. Ghotbzadeh continued to emphasize the need for quick movement towards a settlement and to advance the idea that Iran would reciprocate a gesture from the United States. There could be a release of some hostages in response to our action.

[REDACTED] had thought that Ghotbzadeh would dwell on Panama as he had done in the past. Instead, Ghotbzadeh gave little attention to Panama and did not react when Cottam told him that whatever decisions the Panamanians made was their business and out of our control.

[REDACTED] asked Ghotbzadeh about the rumors of Behesti's arrest. Ghotbzadeh said he was not under arrest, but "we have some trouble" there. Ghotbzadeh said Behesti's connection with the Forgan terrorist group was not clear.

[REDACTED] had the definite impression that there was some tension among Revolutionary Council members.

[REDACTED] also had the impression that Ghotbzadeh may propose a delay in the elections. He said "I have to have more time."

~~SECRET/SENSITIVE~~

RDS-1, 1/19/200 (Precht, Henry)

SANTIZED

E.O. 12958, SEC. 3.6

PER [REDACTED]
BY [REDACTED]

NARS. DATE 1/27/80

[REDACTED] volunteered on his own that it seemed the U.S. was not putting pressure on Europeans to join in sanctions. Ghotbzadeh agreed with that assessment.

Distribution:

- S
- D
- P
- NEA
- NSC - Capt. Sick (LDX)
- CIA - Mr. Cogan (LDX)

NEA/IWG:HPrecht:sc
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DE RUFHUK #1314/01 0200046
O 200020Z JAN 80 ZFF-4
FM AMEMBASSY LONDON

TO SECSTATE WASHDC NIACT IMMEDIATE 7313
WHITEHOUSE WASHDC NIACT IMMEDIATE

~~SECRET~~ SECTION 01 OF 03 LONDON 01314

MODIS CHEROKEE
EYES ONLY FOR THE PRESIDENT, SECRETARY VANCE, VP,
DR. BRZEZINSKI FROM JORDAN AND SAUNDERS
E.O. 12858: ROS-1 1/19/2000 (STREATOR, E.J.) OR-M
TAGS: IR, US, PA
SUBJECT: MEETING WITH PANAMANIANS AND IRANIAN EMISSARIES

1. ~~SECRET~~ - ENTIRE TEXT.

2. SUMMARY. WE MET ALL MORNING WITH OUR PANAMANIAN CON-
TACTS AND ONE OF THE FRENCH LAWYERS WITH WHOM THE
PANAMANIANS HAVE BEEN DEALING AND ALL AFTERNOON ALSO WITH
THE SECOND WHO HAD JUST ARRIVED MID-DAY FROM TEHRAN. THE
MORNING CONVERSATION FOCUSED ON THE DYNAMICS OF THE
PRESENT SITUATION IN IRAN. THE AFTERNOON TALK CONCEN-
TRATED ON EFFORTS TO FIND A RESOLUTION. BOTH SEEMED
STRAIGHTFORWARD IN STATING THE AUTHORITY FOR THEIR TALK --
THE CONCURRENCE OF GHOTBZADEH AND THREE OTHER MEMBERS OF
THE REVOLUTIONARY COUNCIL BUT NOT OF THE COUNCIL AS A
BODY. WE EXPLAINED CLEARLY WHY IT IS NECESSARY TO HAVE
A SCENARIO THAT BEGINS WITH RELEASE OF THE HOSTAGES.
THEY EXPLAINED WHY THE POLITICAL SITUATION IN IRAN MAKES
IT POSSIBLE ONLY TO PROCEED IN STAGES SO AS TO PREPARE
PUBLIC OPINION. PRIVATELY WE CONCLUDED THAT SOME
SCENARIO COMBINING SOME ELEMENTS OF BOTH APPROACHES --
INCLUDING EARLY RELEASE OF THE HOSTAGES -- MIGHT BE
NECESSARY, BUT WE TOLD THEM WE HAD NO AUTHORITY TO GO
BEYOND OUR PRESENT POSITION. THEY HAD NO AUTHORITY TO
PRESENT ANY NEW POSITION FROM TEHRAN. ON THE BASIS
OF OUR CONVERSATION, THEY CALLED FOREIGN MINISTER
GHOTBZADEH FROM THE RESIDENCE. HE CLEARLY REGARDED
OUR COMING HERE AS A SIGNIFICANT SIGNAL AND RECOGNIZED
THE NEED TO DEMONSTRATE IRAN'S OWN SERIOUSNESS. OUR
TWO FRENCH CONTACTS DECIDED TO RETURN TO TEHRAN AND, AT

***** W H S R C O M M E N T *****

ZB, AAR, DEN

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E.O. 12958, Sec. 3.6
PER 608147 Stella McC-97-15
BY [Signature] NARS. DATE 8/27/97

OUR URGING, TO TELL GHOTBZADEH THAT THE MOST SERIOUS SIGNAL HE COULD SEND WOULD BE TO DESIGNATE SOMEONE TO NEGOTIATE DIRECTLY WITH US. END SUMMARY.

3. FOLLOWING ARE THE MOST INTERESTING POINTS THAT CAME OUT IN THE CONVERSATION.

4. THE TWO LAWYERS INVOLVED HAD BEEN CLOSE TO THE IRANIAN EXILE GROUP FOR SOME TIME, PARTICULARLY TO THE KHOMEINI GROUP IN PARIS DURING THE REVOLUTION. ONE IS HIMSELF A POLITICAL EXILE FROM ARGENTINA. THE OTHER IS A LAWYER WITH HUMAN RIGHTS INTERESTS. HE IS A PARTNER OF CHARON, WITH WHOM WE WERE IN TOUCH EARLIER, AND HAS BEEN ASSOCIATED EARLIER WITH AMNESTY INTERNATIONAL. BOTH PROBABLY HAVE FINANCIAL INTERESTS WITH THE IRANIAN GOVERNMENT. THE ONE WHO HAD JUST COME FROM TEHRAN SAID HE HAD SEEN GHOTBZADEH AND HABIBI (SPOKESMAN FOR THE REVOLUTIONARY COUNCIL). HE SAYS WHAT HE PRESENTED IS ALSO BACKED BY CHAMRAN AND TABATABAI. GHOTBZADEH DID NOT SEE, BUT SPOKE TO KHOMEINI'S SON (AHMAD) AND SON-IN-LAW. THE FRENCHMAN BELIEVED KHOMEINI IS AWARE OF THE CONTACT. HE SAID HE COULD NOT REPEAT NOT SAY THE REVOLUTIONARY COUNCIL AS A BODY WAS AWARE OF OUR MEETING, ALTHOUGH SOME MEMBERS ARE. WE BELIEVE HE HAD THESE CONTACTS, BUT IT IS APPARENT THAT HE IS MAINLY REPRESENTING A SMALL GROUP OF INDIVIDUALS INCLUDING GHOTBZADEH.

5. THE DISCUSSION FOCUSED IN ALMOST SEPARATE SEGMENTS ON TWO MAIN ELEMENTS OF A POSSIBLE SETTLEMENT.

A. ON EXTRADITION, THE LAWYER JUST IN FROM TEHRAN BEGAN BY SAYING THAT THE RELEASE OF THE HOSTAGES WOULD HAVE TO AWAIT A FINAL DECISION IN THE PANAMANIAN COURTS ON THE EXTRADITION OF THE SHAH. WHEN THE PANAMANIAN PRESIDENT MADE CLEAR THE SHAH WOULD NOT BE EXTRADITED AND WHEN WE EVENTUALLY TURNED TO OTHER ELEMENTS OF A SETTLEMENT, HE INDICATED THAT IT MIGHT BE ENOUGH IF PROGRESS WAS BEING MADE ON THE OTHER TRACK (BELOW) AND FOR THE EXTRADITION PROCEEDINGS TO HAVE BEGUN. BUT HE NEVER FULLY RETREATED FROM HIS INITIAL DESCRIPTION OF IRAN'S POSITION. (HE DID STATE THAT THE COUNCIL DID NOT EXPECT OR WANT THE SHAH BACK.) IN THIS DISCUSSION, THE PANAMANIAN MADE IT CLEAR THEY WOULD COOPERATE ON EXTRADITION ONLY TO THE EXTENT THAT BEGINNING EXTRADITION PROCEEDINGS MIGHT CONTRIBUTE TO CREATING AN ATMOSPHERE IN WHICH THE HOSTAGES COULD BE RELEASED.

B. ON THE FORMATION OF AN INTERNATIONAL COMMISSION, GHOTBZADEH WAS EITHER MISUNDERSTOOD OR MISREPRESENTED WHAT THEY "AGREED" WITH WALDHEIM WHEN HE WAS IN TEHRAN.

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PAGE 02

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THE IRANIANS APPARENTLY CHOSE TO BELIEVE THAT THE
INTERNATIONAL COMMISSION WOULD BE FORMED SHORTLY AFTER
WALDHEIM'S RETURN TO NEW YORK. THEY SAY THEY ARE STILL
WAITING. GHOTBZADEH'S VERSION OF WHAT THEY TOLD WALDHEIM
IS THIS: WALDHEIM WOULD FORM THE COMMISSION, AND THE
IRANIANS WOULD RESPOND BY SAYING THEY ACCEPT THE PRINCIPLE
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PAGE 03

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 FM AMEMBASSY LONDON

TO SECSTATE WASHDC NIACT IMMEDIATE 7314
 WHITEHOUSE WASHDC NIACT IMMEDIATE

~~SECRET~~ SECTION 02 OF 03 LONDON 01314

NO DIS CHEROKEE

EYES ONLY FOR THE PRESIDENT, SECRETARY VANCE,
 DR. BRZEZINSKI FROM JORDAN AND SAUNDERS

OF RELEASING THE HOSTAGES. AFTER THE COMMISSION REPORTS,
 THE HOSTAGES COULD BE RELEASED. WE EXPLAINED OUR POSITION
 THAT THE HOSTAGES SHOULD BE RELEASED SIMULTANEOUSLY WITH
 THE APPOINTMENT OF THE COMMISSION BUT OUR RECOGNITION
 THAT THERE MIGHT HAVE TO BE A SERIES OF STEPS BY WHICH
 EACH SIDE TESTED THE OTHER'S READINESS TO MOVE TOWARD
 A SETTLEMENT.

6. FOLLOWING OUR CONVERSATION, THEY CALLED GHOTBZADEH
 FROM THE RESIDENCE. THE FOREIGN MINISTER WAS RELUCTANT
 TO HAVE A DIRECT CONVERSATION BUT REALIZED THE NEED FOR
 HIM TO DEMONSTRATE THEIR SERIOUSNESS. THE TWO LAWYERS
 ARE GOING TO TEHRAN SUNDAY. WE SAID THAT IT WOULD BE
 USEFUL FOR GHOTBZADEH TO SAY PUBLICLY THAT THE IRANIAN
 GOVERNMENT WANTS AN EARLY PEACEFUL RESOLUTION OF THE
 HOSTAGE PROBLEM BUT MORE IMPORTANT IT WOULD BE A SIGN
 OF SERIOUSNESS IF HE WOULD DESIGNATE SOMEONE TO NEGOTIATE
 DIRECTLY WITH A U.S. REPRESENTATIVE. THEY AGREED TO
 URGE CONTINUATION OF THE DIALOGUE IN THIS WAY. IF THAT
 IS IMPOSSIBLE, WE SAID CONTACT THROUGH A THIRD PARTY
 IS BETTER THAN NO CONTACT AT ALL. IF THEY DECIDE TO
 DESIGNATE A NEGOTIATOR, THEY WILL SEND HIS NAME THROUGH
 TODAY'S CHANNEL AND HAVE HIM CONTACT HAL.

7. AMONG THE INTERESTING POINTS OF GENERAL INFORMATION
 RAISED WERE THESE:

1. GHOTBZADEH REPORTS THAT A DECISION IS NOW BEING
 CONSIDERED ON DELAYING THE DATE OF THE PRESIDENTIAL
 ELECTION, AND A DECISION WILL BE MADE BY SUNDAY NIGHT.
 ONE REASON IS THAT, WITH FARSI DROPPING OUT OF THE
 RACE, THE ISLAMIC PARTY WANTS A CHANCE FOR A NEW CANDI-

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DATE TO HAVE TIME TO CAMPAIGN.
B. THE CENTRAL POLITICAL CONTEST IN IRAN IS BETWEEN THE RELIGIOUS ELEMENTS AND WHAT THEY CALLED THE "EUROPEAN GROUP," I.E. THOSE LIKE GHOTBZADEH WHO WERE WITH KHOMEINI IN EUROPE. THEY DESCRIBED THE TAKEOVER OF OUR EMBASSY AS DESIGNED BY AYATOLLAH KHALKHALI AND HIS FOLLOWERS TO FORCE THE REVOLUTION TOWARD THE RELIGIOUS RIGHT. KHOMEINI HAD COUNTERED BY INTRODUCING ALL POLITICAL ELEMENTS INTO THE COMPOUND TO THE POINT WHERE EVEN KHALKHALI NO LONGER SAW ADVANTAGE IN KEEPING THE HOSTAGES.

C. THE FRENCHMEN REPORTED THAT IN THE RECENT MEETING BETWEEN KHOMEINI AND REPRESENTATIVES OF THE CAPTORS, KHOMEINI TOLD THEM THAT LAINGEN WOULD NOT BE TURNED OVER TO THEM AND THAT THEY HAD TO BEGIN PREPARING THEMSELVES FOR RESOLUTION OF THE HOSTAGE PROBLEM. KHOMEINI IS REPORTED TO HAVE TOLD THEM HE DID NOT WANT ANYONE HURT BECAUSE THE HONOR OF THEIR NATION IS AT STAKE.

B. THE GENERAL AND SPECIFIC INFORMATION PROVIDED BY THE

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CONTINUED

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PAGE 32

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC NIACT IMMEDIATE 7318
WHITEHOUSE WASHDC NIACT IMMEDIATE

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MODIS CHEROKEE
EYES ONLY FOR THE PRESIDENT, SECRETARY VANCE,
DR. BRZEZINSKI FROM JORDAN AND SAUNDERS

TWO FRENCHMEN EITHER REINFORCED OUR OWN ANALYSIS AND INFORMATION OR SHED NEW LIGHT ON SOME DIMENSION OF THE PROBLEM IN IRAN. AND WHILE THERE IS GOOD REASON TO BELIEVE THAT THE FRENCHMEN'S PRIMARY PERSONAL RELATIONSHIP IS WITH GHOTZBADEH, THEIR POLITICAL AND FINANCIAL INTERESTS AND THEIR HISTORY OF WORKING WITH THE GROUP THAT HAD BEEN IN EXILE WITH KHOMENI WOULD LEAVE THEM IN THE POSTURE OF WANTING TO HELP RESOLVE THE CRISIS REGARDLESS OF WHO IS ELECTED PRESIDENT. IF SOMEONE OTHER THAN GHOTZBADEH IS ELECTED PRESIDENT, THESE MEN COULD STILL PLAY A CONSTRUCTIVE ROLE IN COMMUNICATING WITH THE GOVERNMENT. BREWSTER
BT

PSN:240864 RECALLED PAGE 01 OF 01 TOR:229/01:03Z DTG:200029Z JAN 83

January 22, 1980

EYES ONLY

TO: PRESIDENT CARTER

FROM: HAMILTON JORDAN *HJ*

In the next several months, you will shape, define and execute a new American foreign policy that will not only set the tone for U.S.-Soviet relations for the next twenty years, but will largely determine whether or not our country will play an effective role as the leader of the Free World and, in that way, diminish the possibility of nuclear confrontation. We live in a more dangerous world today than it seems we have lived in since the Cuban missile crisis.

For you to pursue this new policy and to execute the decisions that you must make, it seems to me that you have to be relatively unrestrained both politically and substantively. For that reason, it seems that we must have two very high priorities over the next 30-45 days.

ELI...
...
PER *9/30/97 NLC HJ* FILE *NLC-97-16*
BY *HJ* NARS DATE *1/23/98*

First, we need to eliminate Kennedy from the political race so that you will not be preoccupied with the campaign nor restrained politically from doing whatever is necessary to meet the Soviet challenge. You will need to have the time to focus on this problem and the flexibility to make decisions that will be unpopular with some of the elements of the Democratic Party - the registration decision is a good case in point. Also, if we wrap up the nomination, it will give us more time to prepare for the general election and pull the party together for a tough general election campaign.

A handwritten signature in black ink, appearing to be 'Mumford', written in a cursive style.

This means that we need to make an all-out effort to beat Kennedy in both Maine and New Hampshire. I will be working with Kraft and Strauss on this. It will not be easy but can be done.

Secondly, and a much more difficult goal is to find some way to resolve the hostage situation in the next 30-45 days so that we can begin to build a relationship - however tenuous - with the Iranian government that undermines

Soviet influence in the country and discourages Soviet military intervention.

I would not want to imply in any way that you, Cy, Zbig or the excellent team that has been working on this matter have not done everything humanly possible to obtain the safe release of the hostages. Our position which was developed at the Camp David^r meeting was correct both substantively and politically. Based on my own recent involvement in this matter and discussions with both the French contacts and with Professor Cottam, I have concluded that the situation does not exist now nor will it exist in the near future whereby the hostages are released simultaneously with the other steps we are willing to take. For that reason, it seems to me that we have to at least consider taking some risks in obtaining their release that were neither feasible or advisable before the Soviet invasion of Afghanistan. This is not to suggest that we have to abandon any of our basic principles, but that we are going to have to consider modifying our tactics.

The substantive gap between the Iranians and ourselves is significant. The internal political situation is so fragile and fluid that no present or future leader of the civilian government will be able to agree in advance to the simultaneous release of the hostages. Rightly or wrongly, they will argue that to create the proper political atmosphere for obtaining Khomeini's blessing for the release of the hostages, there must be some actions taken that can be used with Khomeini and by Khomeini as evidence that he has won the battle with "the U.S. imperialists."

If this analysis is correct, it would mean that we would need to develop a scenario that included the early release of the hostages after some steps that tested each other's seriousness of purpose. I doubt very much if Ghotbzadeh or the future leadership of the government would be able to agree in advance to a scenario that had Khomeini's blessing. Professor Cottam says that Khomeini does not think or operate in that way.

This would mean that through ^{direct} indirect channels we would have to develop a joint scenario with the risk that it would not be successful and presumed on the front end

~~that the steps~~ ^{that} that the steps we took would create the proper atmosphere for Ghotbzadeh, or Bani Sadr or Behesti to go to the Ayatollah and say that, "we have won, and it is time to let the hostages go". The great risk would be that Khomeini would reject their plea and we would be back at square one having used up most of our bargaining chips.

Such a scenario would only be useful if we had good reason to believe that Khomeini himself is looking for a way out. If he is not, then the risks would not be worth taking.

If this was done, it would have to be done in a way that did not appear to Khomeini or to the others in the Revolutionary Council as a sign of weakness that ~~would~~ ^{U.S.} ~~would~~ ^{could} then only invite a possibly harder line.

If you are interested in pursuing this possible course of action, it would require you, Cy, Zbig, the Vice-President and others addressing several questions.

1. What would be the best scenario we could develop that did not undermine our nation's principles, but at the same time send a positive signal to the moderates in the Revolutionary Council that could be used effectively with the Ayatollah for the release of the hostages?

Let me give you an example of the kind of scenario that might be developed:

Step 1. Statement by President Carter that "beyond the resolution of the hostage crisis, the United States desires to have a friendly relationship with the people and government of Iran".

Step 2. Iran responds with a statement by either the Foreign Minister or new President that "the early release of the hostages is a goal of the Revolutionary Council".

Step 3. UN resolution is introduced with U.S. support establishing a commission of inquiry.

- Step 4. Statement from Iranian official that at the time that the commission completes its report, it will release the hostages.
- Step 5. If step 4 takes place, U.S. supports UN resolution. If it does not, U.S. vetoes resolution in the Security Council.
- Step 6. Commission of Inquiry is set up with a ten day limit on its activities. Travels to Iran to receive testimony.
- Step 7. Commission completes report and on agreed upon date, issues report simultaneous with announcement from Iran that the hostages will be released within twenty-four hours.
- Step 8. At the time the hostages are put on plane, the Panamanian government announces that it has received formal request of extradition and that it

will be referred to their Attorney General in accordance with Panamanian law.

As I wrote this, I was just thinking out loud. It would probably be better to use the Panamanian "card" earlier and also to build in additional steps and gestures to safeguard this process. But, it is my opinion that some scenario like this will have to be worked out before our people are freed. I believe that U.S. public opinion would support our taking such a chance although it would look bad if we failed.

2. If such a scenario is developed, what is the best way to present it - through Waldheim, the PLO, direct contact or other means? Since there are several parties involved - the Panamanians, the United Nations, etc., it seems that we would have to make a decision as to how to present this.

3. Thirdly, and of critical importance, when would we present this?

A basic decision would have to be made as to whether or not it would be best to pursue this during the run-off or after the election of a new President.

Assuming that Ghotbzadeh does not make the run-off - and you can see from the attached "Memcon" that he no longer thinks that he will - a critical question would be whether or not the contacts that we have had with him could be transferred to the new leadership. We should do what we can to encourage Ghotbzadeh to transfer these contacts to the new leadership. This could also be a way that he could keep himself involved and possibly ingratiate himself with the new leadership.

Another thought is that if Ghotbzadeh is a lame duck, possibly he and/or Khomeini would be willing for him to take the heat for resolving the hostage situation.

I am just thinking out loud, but it seems after your State of the Union Address, you should spend some time with Zbig, Cy and his excellent team talking these things through. I strongly believe that we do need a new approach that is inherently risky for both our country and for you politically.

Also, you should review the attached "memcon". Our trip was taken seriously. I hope that we are not undercutting

Waldheim's credibility with Ghotbzadeh, but Hal Saunders and Cottam report that he has been down on Waldheim for the past several days for some reason.

P.S. I remain willing to go to Iran if that is ever necessary. Also, shouldn't we inform Waldheim of this?

1-22-80

~~SECRET~~

TO: CHARLES KIRBO
FROM: HAMILTON JORDAN *H.J.*

After you have time to digest this, I would like to talk with you not only about this specific channel, but about the larger questions involved. Based on my discussions with these people, I have reluctantly concluded that our hope and assumption that the hostages would be released after the Presidential election is probably ~~not~~ valid.

The men that we met with argued that the new President, whoever he is, will have tremendous internal problems and pressures on him, will have to worry about pleasing Khomeini and consequently will not be able to move quickly or unilaterally to resolve the situation. My other main concern is that we are going to have to be more creative in our approach to the negotiations and also take some risks

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BY *J* FILE NLC-97-16
SERIAL DATE 1/23/98

in negotiating for their release that were not politically or substantively feasible prior to the Soviet invasion of Afghanistan.

Hope you can come up to see in the next couple of weeks.

THE SECRETARY OF STATE
WASHINGTON

~~SECRET~~

EYES ONLY
SENSITIVE

TO: The President
FROM: Cyrus R. Vance
SUBJECT: Iran--Alternative Negotiating
Strategies

Over the next month a new political situation will evolve in Iran. The purpose of this memo is to take a look at a fresh approach to negotiating the release of our hostages in that period.

The time frame is set by the series of elections which began with the first round of the Presidential elections on January 25. If a run-off is necessary, it will take place in two weeks (about February 8). Sometime in February, a major religious celebration is scheduled which could provide an occasion for releasing the hostages if the way is paved. The Assembly elections are due 20 days after that, about February 28. If there is no runoff, the Assembly election could come as scheduled on February 15.

The new government will take office only when the Assembly sits and gives it a vote of confidence. In the meantime, we are told by our visiting French contacts that the Revolutionary Council has placed the hostage problem in the hands of Foreign Minister Ghotbzadeh and the President-elect/remaining Presidential candidates who will work under decisions made by Khomeini. (A summary of the January 25 talk with the French contacts is Attachment 1.)

If, as press reports suggest, Bani Sadr has won a decisive victory, he may well decide to take full charge of the hostage crisis and impose his own views which may differ from the ideas of Ghotbzadeh.

Analysis of the Present Negotiating Situation

We have been frustrated until now by the absence in Iran of a firm decision to resolve the crisis and negotiating partners who could with authority negotiate with us directly or designate a particular intermediary to negotiate for them.

~~SECRET~~

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RDS 1/3 (1/25/2000)

SANITIZED

E.O.12958, Sec.3.6

PER 6/18/97 G.H. HRE NLC-97-15
BY *J* NARS. DATE 8/27/97

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If the word brought by [REDACTED] is correct, Ghotbzadeh and the President-elect/run-off candidates may now be receptive negotiating partners. In addition to our French contacts, other potential intermediaries are waiting in the wings.

Alternative Approaches

There are two views of how the release of the hostages might be negotiated:

Approach 1:

-- The first is reflected in our approach to date and in the position given to the Iranians by Waldheim on January 12 (Attachment 2). Until now we have concentrated on ending the crisis by seeking to arrange a package in which (1) all elements of the package would be firmly agreed in advance and (2) release of all hostages would take place simultaneous with initial gestures toward the Iranians.

Approach 2:

-- More and more, we are hearing from the Iranians that Khomeini's way of operating makes it impossible to agree in advance on all elements of a scenario. They say it will be necessary to take several steps to begin changing the climate in Iran and then to go to Khomeini for agreement to release of the hostages. They admit that he may reject that step; there is no way of assuring a positive decision in advance, so this approach would involve risks on our side. The Iranians would like the maximum in gestures toward them before beginning release of the hostages--for instance, completion of an international inquiry and the acceptance of its report.

The issue for us is how far we can proceed before insisting on release of the hostages and what means we can build into a scenario for testing at each stage the Iranians ability to respond to our moves so we don't give away too much without a response.

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Channels for Communicating

[REDACTED] have suggested agreeing on an international figure like [REDACTED] to play the dual role as head of a commission of inquiry and as intermediary. They would assist.



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A Possible Scenario

The substance of our negotiating position remains as you approved it to be given to Waldheim January 13 (Attachment 3). The issue is how to construct a series of steps over the next several weeks which can lead to the release of the hostages and to a resolution of those U.S.-Iranian issues which must be resolved. The following is an elaboration of Approach 2 above, taking into account suggestions made by our French contacts:

- Step 1: We would operate on the assumption that it continues to be desirable to have a variety of approaches to the Iranians, especially Khomeini if he is well enough, concentrating on two points: (1) the need for a decision to release the hostages or at least to remove them to more humane conditions in custody of responsible authorities; (2) the need to help publicly in Iran to change the climate of opinion. These people would not have a mandate to negotiate on our behalf. Most of them are already in the process of trying to go to Tehran. They would include:
 - Any representatives of the Islamic Conference who decide to approach the Iranians.

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- [REDACTED] can meet with Khomeini and the captors in our compound.
- [REDACTED] could also presumably see both.
- [REDACTED] would go with significant Islamic credentials and can see Khomeini.

- Step 2 would be a combination of moves designed to confirm with Ghotbzadeh and the President-elect/run-off candidates that an agreed channel for managing a scenario exists and that a decision has been made on both sides to make a series of reciprocal moves that could lead to a resolution of the current problem:
 - Ghotbzadeh has responded to the Jordan/Saunders trip to London by sending the French lawyers to Washington with tangible evidence of good faith.

 - We could (1) send a message via [REDACTED] to Ghotbzadeh from Hamilton that we have taken the Washington talks with the Frenchmen seriously and are sending a message to Tehran with them and (2) send a message via the Frenchmen that we are prepared to begin a series of reciprocal moves by removing our objection to Waldheim's appointment of a commission of inquiry provided Ghotbzadeh (a) will ask Waldheim for a commission "to hear Iran's grievances and an early end to the crisis between the U.S. and Iran," and (b) will assure Waldheim in writing that the commission will, in the course of its investigation, see all of the hostages (to report on their condition as well as on Iran's grievances).

 - We would need to assure ourselves that Waldheim is prepared to cooperate with us on this basis. Because the Iranians have stressed that U.S. objections on technical grounds to the creation of the commission would enhance its credibility in Iran, we would have to work this out with Waldheim.

 - We would delay further implementation of sanctions.

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- Optional Step 3 could involve consolidating Panama's position on the extradition proceedings. Since this was Ghotbzadeh's ploy, Bani Sadr may not be interested. We have no interest in it. But if some movement is necessary we could proceed through two moves:
 - Iranian authorities would state that they will seek extradition within the framework of Panamanian law.
 - Panama would appoint an attorney to participate in the extradition proceedings and ask the Shah to "place himself at the disposal of the Panamanian government."
- Step 4 would bring the commission of inquiry into being:
 - Waldheim would announce appointment of the commission using his good offices authority after selecting a chairperson and agreeing on the timing of its report and its terms of reference which would insure that it would remain a fact-finding mission as contrasted to a judicial tribunal.
 - Iranian authorities would announce in the name of the Imam (with assurance that the captors in the compound will acquiesce) that the commission will have Iran's cooperation and will interview all the hostages individually. The commission would not leave until this announcement had been made.
- Step 5 would focus on the commission's work in Tehran:
 - While the commission's movements will be public, the commission would hold discussions privately in Tehran. It would go to the compound as early as possible to review evidence with the captors and to interview each of the hostages privately, ostensibly as part of the inquiry but primarily to determine the condition of their confinement.

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- The commission (1) would announce that it is ready to return to New York with its report to the Secretary General on Iran's grievances and (2) would report to Khomeini privately that the conditions of the hostages' confinement are inhumane.
- Khomeini would have the hostages transferred to a hospital under the shared custody of Iranian authorities and representatives of the commission. The commission would not take its report to New York until this step was taken.
- Step 6: report and release.
 - The Commission would report to the Secretary General two days before Iran's religious celebration.
 - The U.S. would state its readiness to form a joint U.S.-Iranian Commission to resolve outstanding issues between the U.S. and Iran, including lifting the freeze on Iran's assets and resolving claims.
 - Khomeini would "pardon" and expel the hostages in connection with Iran's religious celebration.

While key Iranians would know the entire proposed scenario, we would have to start not knowing that they could deliver in the end. But each step has built into it a step that the Iranians would have to take before that step is completed or the next step taken.

The Negotiator

Implementing this scenario would require someone on the ground in Tehran to reach an understanding on the scenario as an objective and to keep it on the tracks.

The Chairperson of the Commission would have to be involved, but someone like the [REDACTED] with intimate access to the Iranians would also have to be involved. We will work on this aspect pending your reaction to the above.

Recommendation: That you approve our exploring the possibility of reaching an understanding with the Iranian authorities on a scenario along the lines of the above.

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THE SECRETARY OF STATE
WASHINGTON

EYES ONLY
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TO: The President
FROM: Cyrus R. Vance
SUBJECT: Iran--Alternative Negotiating
Strategies

Over the next month a new political situation will evolve in Iran. The purpose of this memo is to take a look at a fresh approach to negotiating the release of our hostages in that period.

The Time Frame

The time frame is set by the series of elections which began with the first round of the Presidential elections on January 25. Bani Sadr appears to be the winner. The Assembly elections are scheduled for February 15 but may be delayed until later in the month. The next step will be appointment of a Prime Minister by the President and the selection of a Cabinet by the Prime Minister, but none of them will have authority until approved by the newly elected Assembly.

During this transitional period, a major religious celebration is scheduled the week of February 10 to commemorate the 15th centennial of Islam and the anniversary of the Revolution. These dates could provide an occasion for releasing the hostages if the way is paved.

The new government will take office only when the Assembly sits and gives it a vote of confidence, presumably around the end of February.

Analysis of the Present Negotiating Situation

We have been frustrated until now by the absence in Iran of a firm decision to resolve the crisis and negotiating partners who could with authority negotiate with us directly or designate a particular intermediary to negotiate for them.

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If the word brought by [REDACTED] is correct, Ghotbzadeh and the President-elect may now be receptive negotiating partners. We are told by [REDACTED] that, before the election, Khomeini and the Revolutionary Council placed the hostage problem in the hands of Foreign Minister Ghotbzadeh, who was to keep the President-elect and Khomeini informed. (A summary of the January 25 talk with [REDACTED] is Attachment 1.) That may have changed with Bani Sadr's landslide victory. He may well decide to take full charge of the hostage crisis and impose his own views which may differ from the ideas of Ghotbzadeh. Therefore, our first task is to check with him any ideas on procedures and on a scenario.

In addition to [REDACTED] other potential intermediaries are waiting in the wings.

Alternative Approaches

There are two views of how the release of the hostages might be negotiated:

Approach 1: The first is reflected in our approach to date and in the position given to the Iranians by Waldheim on January 12 (Attachment 2). Until now we have concentrated on ending the crisis by seeking to arrange a package in which (1) all elements of the package would be firmly agreed in advance and (2) release of all hostages would take place simultaneous with initial gestures toward the Iranians.

Approach 2: More and more, we are hearing from the Iranians that Khomeini's way of operating makes it impossible to agree in advance on all elements of a scenario. They say it will be necessary to take several steps to begin changing the climate in Iran and then to go to Khomeini for agreement to release the hostages. They admit that he may reject that step; there is no way of assuring a positive decision in advance, so this approach would involve risks on our side. The Iranians would like the maximum in gestures toward them before beginning release of the hostages--for instance, completion of an international inquiry and the acceptance of its report. [REDACTED] feel we should begin with the early

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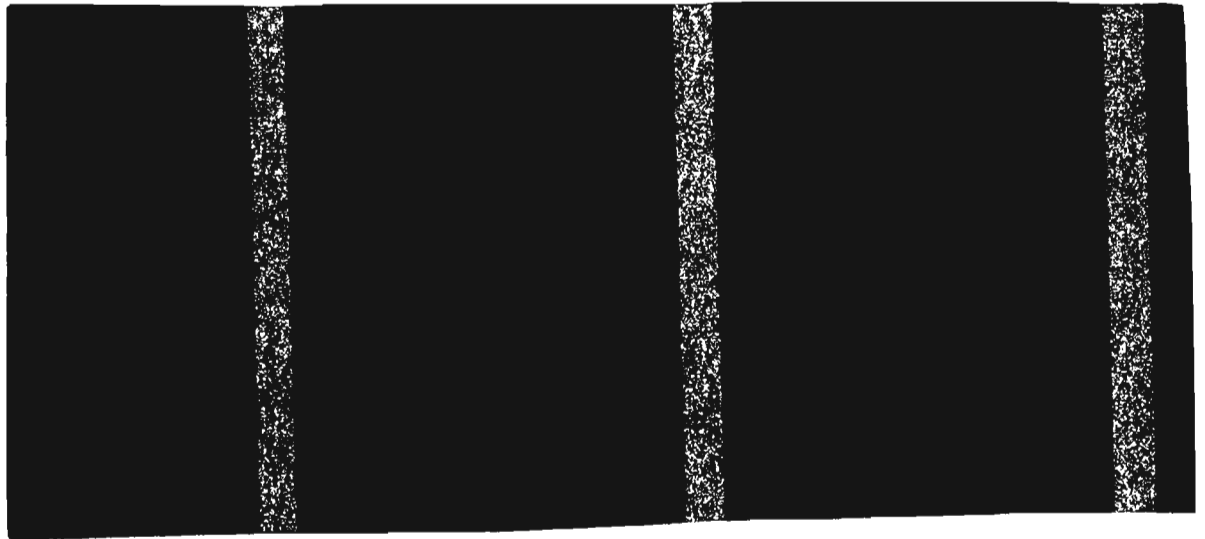
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steps in a scenario fully agreed but leave the later steps to be worked out in detail as we proceed. At the outset, we would aim only at a general understanding of the later steps.

If we are to consider seriously moving to an approach like the second above, the issues for us are: (1) how far we can proceed before insisting on release of the hostages; (2) what means we can build into a scenario for testing at each stage the Iranians' ability to respond to our moves so we don't give away too much without a response; and (3) how we can justify each step to the American public since this approach would alter some of the strong positions we have taken previously.

Channels for Communicating

Our French contacts have suggested agreeing on an international figure, for example ██████████, to play the dual role as head of a commission of inquiry and as intermediary. They recognize that ██████████ may not be acceptable to us and are prepared to try out other suggestions on the Iranians. In my view, ██████████ is not the right person because he is too committed to his own ideas and is not likely to listen well to our concerns. I will be talking to Waldheim about other possibilities. The French contacts would be willing to assist in implementing the scenario.

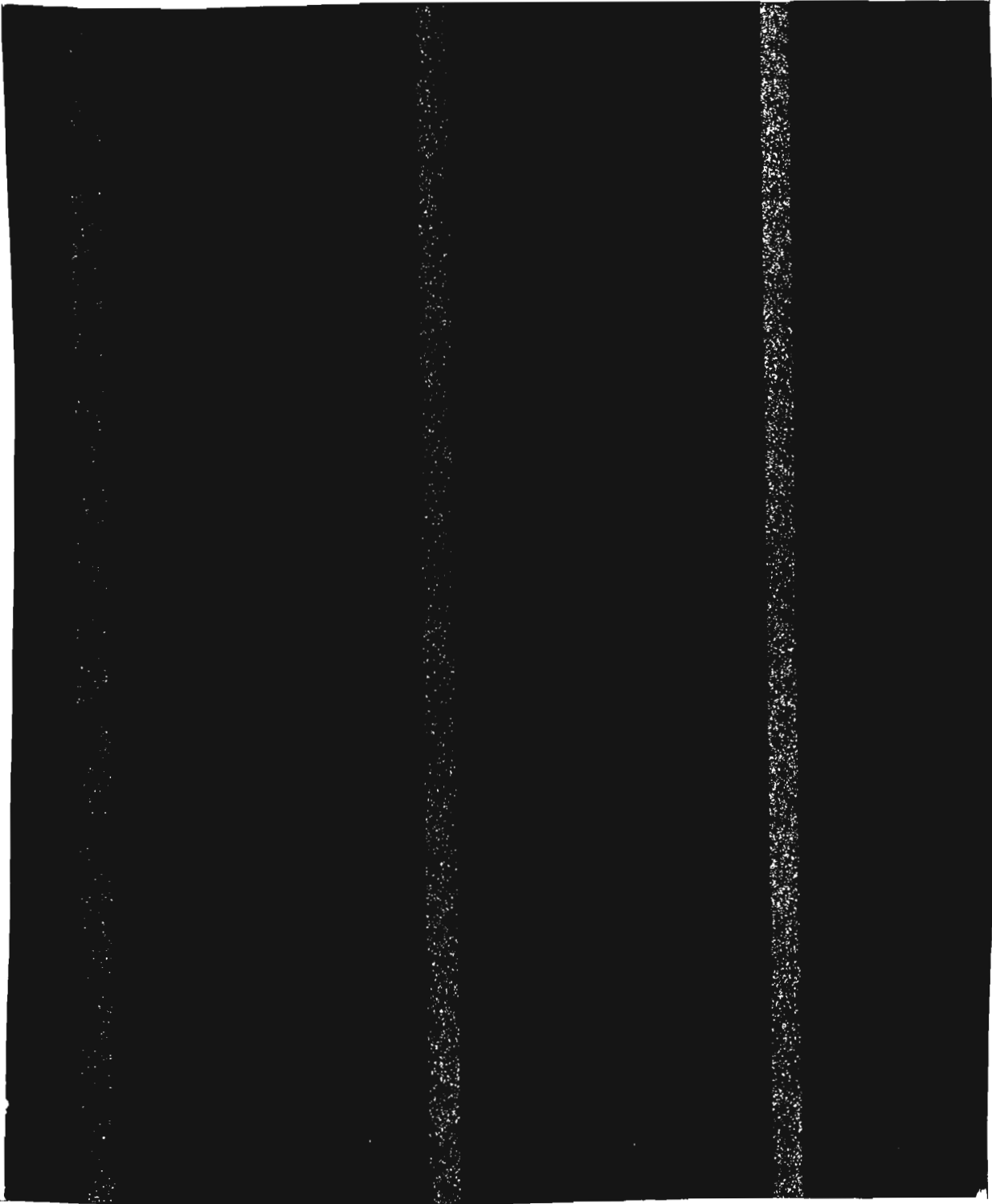


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A Possible Scenario

The substance of our negotiating position remains as you approved it to be given to Waldheim January 13 (Attachment 3). The issue is how to construct a series of steps which can lead to the release of the hostages and to a resolution of those U.S.-Iranian issues which must be resolved.

We would operate on the assumption that it continues to be desirable to have a variety of approaches to the Iranians, especially Khomeini if he is well enough. A number of contacts tell us that no one can ask Khomeini to do something; it is necessary to create a situation which he analyzes as ripe for a certain step. Several prominent figures are already planning visits to Tehran. As part of this process, various visitors to Iran would concentrate on two points: (1) the need for a decision to release the hostages or at least to remove them to more humane conditions in custody of responsible authorities; (2) the need to help publicly in Iran to change the climate of opinion. These people would not have a mandate to negotiate on our behalf. Most of them are already in the process of trying to go to Tehran. They would include:

- Any representatives of the Islamic Conference who decide to approach the Iranians.
- ██████████ can meet with Khomeini if he is well enough and the captors in our compound as well as with Bani Sadr.
- ██████████ could also presumably see both.
- ██████████ would go with significant Islamic credentials and can see Khomeini.

The following steps are an elaboration of Approach 2 above, taking into account suggestions made by our French contacts. They are developed as a controlled set of steps so each step contains a move by each side and the process can be stopped before the next step begins if Iran does not do its part.

- Step 1 would be a combination of moves designed to confirm with President-elect Bani Sadr as well as with Ghotbzadeh that an agreed channel for managing a scenario exists and that a decision

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has been made on both sides to make a series of reciprocal moves that could lead to a resolution of the current problem:

- Ghotbzadeh has responded to the Jordan/Saunders trip to London by sending the French lawyers to Washington with tangible evidence of good faith. The Iranians also regard your written message to Congress as a positive step on our side.
- To establish the channel, at least in the next stage, we could send a message via ████████ to Ghotbzadeh from Hamilton that we have taken the Washington talks with the Frenchmen seriously and are sending a message to Tehran with them. They could also carry a letter from Hamilton.
- To establish the procedure we could send a message via the Frenchmen to both Bani Sadr and Ghotbzadeh that we are prepared to begin a series of reciprocal moves. We would start by removing our objection to Waldheim's appointment of a commission of inquiry provided Ghotbzadeh (a) will ask Waldheim for a commission "to hear Iran's grievances and to help achieve an early end to the crisis between the U.S. and Iran" and (b) will assure Waldheim in writing that the commission will, in the course of its investigation, meet with each of the hostages.
- Since we would be changing our position to allow the commission to go to Tehran and begin work before release of the hostages, we would need to be able to say publicly that the commission is going on a fact-finding mission to Tehran to hear Iran's concerns, to meet with each of the hostages, and to report on the present situation to the Secretary General. We would object publicly to any contact with the hostages for interrogation in connection with the inquiry. We would say it remains important for us to determine the well-being of each of the hostages. The Iranians, of course, would play the appointment as a victory and the visit to the hostages as part of the inquiry into Iran's grievances.

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- We would need to assure ourselves that Waldheim is prepared to cooperate with us on this basis. I would send Hal Saunders to see [REDACTED] and perhaps go to talk with Waldheim myself. We would need to assure that Waldheim puts a responsible person in charge of the commission and that Waldheim has some agreed control over the limits within which the commission will operate. We would want to work with him on its terms of reference. Because the Iranians have stressed that U.S. objections on technical grounds to the creation of the commission would enhance its credibility in Iran, we would have to work this out with Waldheim.
- Step 2 would bring the commission of inquiry into being only when the Iranians had made their formal request to Waldheim under Step 1:
 - Waldheim would announce appointment of the commission. He would act using his good offices authority and referring to his talks in Tehran and to the Iranian request. Before making his announcement, he would have to select a chairperson and agree on the timing of the commission's report and its terms of reference. The mandate would insure that the commission would remain a fact-finding mission as contrasted to a judicial tribunal.
 - Iranian authorities would announce in the name of the Imam (with assurance that the captors in the compound will acquiesce) that the commission will have Iran's cooperation in seeking a resolution of the crisis and will meet with all the hostages individually.
 - The commission would not leave New York until the Iranian announcement had been made.
- Step 3 could involve consolidating and restraining Panama's position on the extradition proceedings. This is already underway. Since this was Ghotbzadeh's ploy, Bani Sadr may not be interested. We have no interest in it. But if some movement is necessary, the following moves may serve Iranian needs and limit the risks:

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- Iranian authorities would state that they will seek extradition within the framework of Panamanian law.
- Iran would appoint a Panamanian attorney to participate in the extradition proceedings.
- The Government of Panama would ask the Shah to "place himself at the disposal of the Panamanian government." The Shah would not be arrested.
- The legal proceedings would then drag out without result.
- Step 4 would focus on the commission's work in Tehran:
 - While the commission's movements will be public, the commission would hold discussions privately in Tehran. It would go to the compound as early as possible to review evidence with the captors and to meet with each of the hostages privately, ostensibly as part of the inquiry but primarily to determine the condition of their confinement and their health.
 - The commission (1) would announce that it is ready to return to New York with its report to the Secretary General on Iran's grievances and (2) would report to the Revolutionary Council, which would pass the report to Khomeini privately, that the conditions of the hostages' confinement are inhumane and that no report to the Secretary General will have credibility if these conditions are not changed.
 - Khomeini would have the hostages transferred to a hospital under the shared custody of Iranian authorities and representatives of the commission.
 - The commission would not take its report to New York until the hostages had been transferred from the compound.

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-- Step 5: report and release.

-- The Commission would report to the Secretary General two days before Iran's religious celebration, which is scheduled the week of February 10.

-- The commission could recommend that the U.S. and Iran form a joint U.S.-Iranian Commission to resolve outstanding issues between the U.S. and Iran, including lifting the freeze on Iran's assets and resolving claims. The recommendation could stipulate a period within which work should be completed.

-- Khomeini would "pardon" and expel the hostages in connection with Iran's religious celebration.

-- The U.S.-Iranian talks would not start until the hostages are released.

While key Iranians would know the entire proposed scenario, we would have to start not knowing that they could deliver in the end. But each step has built into it a step that the Iranians would have to take before that step is completed or the next step taken.

One other factor could figure into the above scenario. If it seemed useful at some point, we could delay implementation of economic sanctions.

Monitoring and Negotiating the Detailed Scenario

Implementing this scenario would require someone on the ground in Tehran to reach an understanding on the scenario as an objective, to keep it on the tracks, and to make necessary adjustments as it evolves.

The Chairperson of the Commission would have to be involved, but someone else would also have to be involved. We would also need rapid communication.

To begin with, I think we should send our French contacts back to Tehran with the above scenario refined to reflect your views. If Bani Sadr agrees to proceed, when the commission goes to Tehran we would have to set up quick communication with the Frenchmen or, more likely, station

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one of our own people--with Bani Sadr's agreement--in the Swiss Embassy in Tehran or in a place like Paris or Kuwait with quick access to the Frenchmen.

Recommendation: That you approve our exploring the possibility of reaching an understanding with the Iranian authorities on a scenario along the lines of the above.

Attachments:

1. Memorandum of Conversation
2. Waldheim Position Paper
3. U.S. Negotiating Position Paper

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MEMORANDUM OF CONVERSATION
IRAN WORKING GROUP

Date: January 27, 1980

Time: 3:00 pm

Participants:

[REDACTED]
Sadegh Ghotbzadeh
Iranian Foreign Minister

For the third time since their conversations began two months ago Ghotbzadeh telephoned [REDACTED] yesterday. The conversation was upbeat in mood. Ghotbzadeh said he had one month in which to resolve the crisis. He acknowledged that he and Bani-Sadr were not on good terms at all ("to put it mildly"), but Ghotbzadeh said he had an absolute majority of the members of the Revolutionary Council. The Council would remain in control until the new Government was installed and Ghotbzadeh would thus be able to override Bani-Sadr. Ghotbzadeh strongly implied also he had a better position with Khomeini than Bani-Sadr.

Ghotbzadeh told [REDACTED] progress could be quite fast now and there should be movement on many fronts including New York and Panama. He hoped we would not resist if the Europeans planned a statement urging us to go slow on sanctions. Ghotbzadeh also suggested that we unfreeze some Iranian assets. There was a hint at the end of the conversation that Ghotbzadeh might be ready for more direct contact with us.

Ghotbzadeh said he was aware that the [REDACTED] were having useful conversations and he seemed pleased by that development.

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MESSAGE FOR [REDACTED]

1. For [REDACTED] background only, we want him to know that we have had informal conversations with two private non-Iranians--French lawyers--who have for some time been close to the group around Khomeini. These individuals have for several weeks been in close touch with Foreign Minister Ghotbzadeh about ways of moving toward a resolution of the hostage problem. The issue for us now that Bani-Sadr seems to have been elected President is to determine whether the ideas that come out of this previous dialogue still have validity or whether we should attempt now to work through a direct channel to Bani-Sadr himself. The ideas that have been developed are useful, and we would like to proceed without delay in an effort to reach agreement on a scenario that could lead to the early release of the hostages. But obviously we must take account of the new leadership emerging in Iran.

2. Without referring specifically to the foregoing, we believe it is important that, if at all possible, [REDACTED] seek an early appointment with Bani-Sadr to help us determine whether we should continue to work only through the existing channel to Foreign Minister Ghotbzadeh during the coming transitional period or whether we should also seek to keep Bani-Sadr himself informed.

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3. We recognize that [REDACTED] will have his own effective way of broaching the subject with Bani-Sadr when they meet, but for whatever assistance it may provide, it seems to us that an approach along the following lines might produce the judgment we need: As the President-elect knows, the Swiss Government some time ago agreed to offer its good offices for communicating between the U.S. and Iran as necessary and, consistent with that role, [REDACTED] has on occasion been in touch with the Foreign Minister. [REDACTED] knows that the United States Government has noted the President-elect's statements about an early resolution of the crisis over the American hostages. [REDACTED] knows that the U.S. Government is prepared to work with the Government of Iran to resolve the present crisis quickly on an honorable basis and is prepared to proceed toward its resolution through a series of reciprocal steps. The United States is interested in knowing whether the Government of Iran is prepared now to proceed to an early resolution of the crisis on that basis. The U.S. would plan to continue present direct exchanges through established channels but would be prepared to communicate directly with him or with the Foreign Minister if he prefers. The U.S. Government knows that direct communication with the President-elect could be embarrassing to him and has therefore chosen this indirect method of inquiry.

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4. For [REDACTED] We do not want to jeopardize any existing channel by identifying it explicitly, but if Bani-Sadr mentions two French lawyers who have talked with members of the Revolutionary Council and have also exchanged views privately and confidentially with some Americans, we hope [REDACTED] will find a way of determining whether Bani-Sadr is satisfied with that channel.

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Subject: Meeting with B and V-- [REDACTED]
Friday, January 25 in Hamilton Jordan's office

V said he and B had been very impressed with the seriousness and honesty of the presentation by Jordan and Saunders in London. This allowed V and B convincingly and strongly to defend the U.S. position in Tehran. They had argued that while Iran's point of view had to be listened to, international standards of human rights came first. V and B asked for a sign of similar seriousness and honesty from the Iranian side. (Ghotbzadeh had [REDACTED] call Hamilton Jordan to endorse the talks V and B would have with us.)

V said that on arriving in Tehran they had a four hour meeting with Ghotbzadeh, which was adjourned to allow him to report to the Revolutionary Council. They reconvened with him at midnight to hear the Council's reaction. There were three decisions:

-- Henceforth the only negotiator for Iran would be the Foreign Minister. All information on the crisis should be conveyed to the Minister, not to members of the Council. (In effect the Council is taking itself out of the decision chain.)

-- The Foreign Minister will immediately report all developments to Khomeini and keep him thoroughly informed in a timely fashion.

-- The two leading candidates for the Presidency-- Bani Sadr and Habibi--would be kept fully informed of developments by the Foreign Minister until the runoff elections were held. B had later briefed each of them.

Subsequently, V and B were informed of other decisions by the Council.

-- The militants will no longer be allowed to express their views to the press. This decision was taken on the evening of January 24. Thus far we are not able to confirm whether or not it has been effectively implemented.

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-- The Council guaranteed absolutely the security of the hostages. The Council would take further steps to assure that the hostages would not be harmed. (This decision was taken because V had raised the possibility that some disgruntled militant might try to deepen the crisis by harming one of the hostages.)

-- The U.S. should attempt to prevent Iranian students in this country from making statements which damage prospects of a settlement. For example, some students had said that whatever happened to the Shah the U.S. itself was the real enemy. (We commented that the Iranian Embassy in Washington was more troublesome than students and perhaps the Foreign Minister could direct the Charge to cease harmful propaganda activities. B agreed to do so.)

-- Finally, because Ghotbzadeh believed that the U.S. wanted some American correspondents to be allowed to return to Iran, the Iranian government would soon permit on a selective basis the return of correspondents who would not be "biased." These correspondents would be asked to pledge that they would not interview the militants.

V and B gave us their analysis of the Iranian political situation, which they said was shared by Ghotbzadeh and members of the Revolutionary Council: The seizure of the Embassy had been a move by the religious extreme right--somehow backed by the Soviet Union--to provoke a crisis. They had, in fact, succeeded in bringing down the Bazargan Government and in later forcing out Bani Sadr. But within forty hours of the seizure Khomeini had moved to thwart their plans. He had dispatched the Ayatollah Khoeni a loyal supporter plus contingents of Palestinians, Kurds, Libyans, left-wing Iranian youth and also other religious students to dilute the authority of the group that had organized the seizure. Subsequently, these groups left the compound. (We doubt the involvement of these groups. The significance is that the Revolutionary Council believes that the militants are hostile to the Khomeini regime and that Khomeini recognized this and moved to take charge of the operation on the compound by inserting his own people.)

The next move of the religious right was to try to manipulate the elections in their way. Khomeini, whom B described as a master political leader, had again thwarted the hard-liners by eliminating their candidate, Farsi, as well as the candidate of the extreme left, Rajavi. The students had then eliminated Admiral Madani. That left two candidates trusted by Khomeini in the field, Bani Sadr and Habibi. B, who knew all of the Iranian revolutionaries in Paris, had the highest regard for Habibi. He described him as very solid, a man of principle, culture, moderation and dedication--a man without enemies and probably Khomeini's favorite. Because the religious right had lost their candidate they were forced to back Habibi. That assured him a victory but would not make him beholden to them. It was Khomeini's plan to take the position of "religious guide," dealing only with general policy questions and leaving the details of running the country to the President. B anticipated that the next stage of the struggle for power after the Presidential election would be a fight between the religious right and the secularists for the control of the Majlis and the Prime Ministry and cabinet positions.

In an aside B described how Habibi had been the principal author of the draft constitution which Khomeini had accepted. Later Khomeini agreed to submit the draft to a constitutional assembly when Bazargan demanded that as part of the democratic process. As Khomeini feared, the religious right dominated the assembly and redrafted key articles of the constitution to their liking--seeking to impose the theocracy which Khomeini did not want.

The scenario for ending the hostage crisis which Ghotbzadeh and possibly the Revolutionary Council appeared to have worked out with B and V follows:

Waldheim acting on his own authority will appoint a commission of inquiry, chaired by someone like Sean McBride. The U.S. will oppose the commission on technical grounds. Our opposition is essential, if the commission is to be accepted in Iran, particularly by the militants.

The commission will have as its purposes the inquiry into Iranian grievances and, secondly, into the conditions of the hostages. After a week's investigation the commission will report its findings to the Iranian government. The findings concerning the hostages will describe their inhumane treatment and the commission will recommend the

hostages be released. This part of the report will be transmitted to Khomeini who will recognize that, although the taking of hostages was an acceptable form of pressure on the United States by Iran, the conditions under which the hostages are held are not acceptable in terms of Islamic standards. Khomeini will then order the hostages released to the Iranian government which may remove them to a prison. V believes it essential that there be an intermediate stage in which the hostages are held by the Iranian government; he does not think the militants will agree to release them to us. It will also be important for Iran to make a clear distinction and disassociate the militants from the government.

The commission's report on Iran's grievances will be communicated to the world at large and presumably to the UN. This portion was not clear to B and V. It was not certain whether Iran would require a resolution by the General Assembly or some other formal action. Ghotbzadeh said no resolution was necessary but that is in doubt.

Sean McBride would have an additional role as the negotiator of the precise stages for ending the crisis. He would help settle the bilateral problems such as the freeze of assets, form of relations, recovery of the Shah's assets, etc. The Iranians shared our view that a high-level contact between us was necessary, but could not have direct links during the very sensitive period of the next 30 days before the new government is in place.

The hostages would be released on the eve of a religious ceremony which the Iranians will organize in Tehran to mark the 1500th anniversary of Islam. V and B could not specify the exact holiday that would be used for this commemoration, but they thought it was in the latter part of February. They thought they could give us the date Saturday. Khomeini's act of releasing the hostages would thus be a religious gesture witnessed by the many religious figures who would be invited to the ceremony.

V said it was agreed in Iran that the hostage issue should be settled within the next thirty days before a new government took office. It was anticipated that Ghotbzadeh would remain as Foreign Minister and would be charged with handling the hostage crisis during this period.

SECRET/SENSITIVE

-5-

Meanwhile, the Panama track would be proceeding along pre-determined lines. B and V intended to go to Panama in the next day or so to appoint a Panamanian lawyer to represent Iran in pressing the extradition case. The Panamanian government will be asked to issue a formal order to the Shah to place himself "at the disposal" of the government during a 60-day period in which the extradition evidence from Iran might be presented. V thought that this would be an easy matter to arrange with the Panamanians.

In general B and V described themselves as "almost very optimistic" in dealing with an extremely difficult situation.

NEA/IWG:HPrecht

SECRET/SENSITIVE

CONFIDENTIAL

UN Security Council Position
Presented by Waldheim to Ambassador Farhang
After UN Security Council Meeting January 12, 1980

1. The Security Council would adopt a resolution in which it will "recognize the legitimate right of the Government of Iran to seek the extradition of the former Shah and the return of any national assets of Iran improperly removed from Iran."
2. An international committee of inquiry would be established by the SYG to investigate allegations of grave violations of human rights and of illegal acts of the previous regime in Iran, and to report its findings to the Secretary General as soon as possible.
3. Simultaneously with the adoption of the resolution by the Security Council and with the appointment of the commission of inquiry, the Iranian authorities would release all employees of the U.S. Embassy and all Americans held hostage in Tehran and ensure their immediate safe departure from Iran.

CONFIDENTIAL

DECLASSIFIED
E.O. 12958, Sec. 3.6
PER 6/12/91 [Signature] RE NLC-41-15
BY [Signature] NARS. DATE 8/27/91

U.S. POSITION

1). The safe and immediate departure from Iran of all U.S. employees of the Embassy in Tehran and other Americans held hostage is essential to a resolution of other issues.

2). The U.S. understands and sympathizes with the grievances felt by many Iranian citizens concerning the practices of the former regime. The U.S. is prepared to work out in advance firm understandings on a forum in which those grievances may subsequently be aired, so that the hostages could be released with confidence that those grievances will be heard in an appropriate forum after the release has taken place. The U.S. will not concur in any hearing that involves the hostages. The U.S. is prepared to cooperate in seeking through the auspices of the UN to establish such a forum or commission to hear Iran's grievances and to produce a report on them. The USG will cooperate with such a group in accordance with its laws, international law and the Charter of the UN.

3). The U.S. Government will facilitate any legal action brought by the Government of Iran in courts of the United States to account for assets within the custody or control of the former Shah that may be judged to belong to the national treasury of Iran by advising the courts, and other interested parties, that the U.S. Government recognizes the right of the Government of Iran to bring such claims before the courts and to request the courts' assistance in obtaining information about such assets from financial institutions and other parties.

4). Once the hostages are safely released, the U.S. is prepared to lift the freeze of Iranian assets and to facilitate normal commercial relations between the two countries, on the understanding that Iran will meet its financial obligations to U.S. nationals and that the arrangements to be worked out will protect the legitimate interests of U.S. banks and other claimants. The U.S. is prepared to appoint members of a working group to reach agreement on those arrangements.

5). The United States is prepared to appoint a representative to discuss with Iranian representatives the current threat posed by the Soviet invasion of Afghanistan and to recommend to their government steps that the U.S. and Iran might take in order to enhance the security of Iran, including the resumption of the supply of military spare parts by the United States to Iran.

6). The U.S. Administration is prepared to make a statement at an appropriate moment that it understands the grievances felt by the people of Iran, and that it respects the integrity of Iran, and the right of the people of Iran to choose their own form of government. The United States Government recognizes the Government of the Islamic Republic of Iran as the legal government of Iran. The U.S. reaffirms that the people of Iran have the right to determine their own form of government.

Press Guidance - Bani-Sadr Election

q. Could you comment on the Bani-Sadr election and whether it will be helpful in speeding the release of the hostages.

a. -- The final results of the election have not yet been announced.

WSP
K...
-- We remain ready to work with Iran's leaders towards a solution to the present crisis. We are unable to predict what effect the elections will have on the release of the hostages. We naturally hope that Iran will decide to end the crisis so that it can begin to address the serious threats and problems facing the country.

-- Bani-Sadr, the apparent winner of the election, has given high importance to the goal of ending Iran's dependence on outside powers. We are in full agreement and support the independence of Iran and all countries of the region, including especially Afghanistan.

-- The people of Iran are continuing to make decisions in their political process. We fully respect their right to do so and their right to determine their own future. We firmly believe that a democratically stable and economically progressing Iran is the best defense against Soviet expansion.



DEPARTMENT OF STATE

Washington, D.C. 20520

January 28, 1980

~~SECRET/SENSITIVE~~

TO: The Secretary
FROM: NEA - Harold H. Saunders ^{WHS}
SUBJECT: Iran Update: January 28, 1980

Today's Objectives

- To develop a public posture on Bani-Sadr's election. (Draft guidance attached).
- To consider possible new approaches to the crisis.
- To consider strategy for UN Human Rights Meeting in Geneva.
- To prepare our position on sanctions for a decision later in the week.

Status of Initiatives

-- For the third time since their conversations began two months ago Ghotbzadeh telephoned [redacted] yesterday. The conversation was upbeat in mood. Ghotbzadeh said he had one month in which to resolve the crisis. He acknowledged that he and Bani-Sadr were not on good terms at all ("to put it mildly"), but Ghotbzadeh said he had an absolute majority of the members of the Revolutionary Council. The Council would remain in control until the new Government was installed and Ghotbzadeh would thus be able to override Bani-Sadr. Ghotbzadeh strongly implied also he had a better position with Khomeini than Bani-Sadr.

-- Ghotbzadeh told [redacted] progress could be quite fast now and there should be movement on many fronts including New York and Panama. He hoped we would not resist if the Europeans planned a statement urging us to go slow on sanctions. Ghotbzadeh also suggested that we unfreeze some Iranian assets. There was a hint at the end of the conversation that Ghotbzadeh might be ready for more direct contact with us.

~~SECRET~~

SANITIZED

E.O.12958, Sec.3.6

PER WHS BY WHS NARS. DATE 3/21

I'll be seeing you soon

-- We spoke over the weekend to James Bill, a noted Iranologist, who has also been in touch with Hedley Donovan. Bill's ideas are summarized in the attached memorandum.

-- Our contact with Khomeini's doctor on Saturday indicated his condition was not then as serious as reported. We are attempting to get up to date information. We have been unable yet to confirm Sunday's reports that his condition had worsened again.

-- Bruce Laingen informs us that Iranians will hold a week of celebrations beginning February 10 to mark the anniversary of the Revolution and the 15th centenary of Islam. A Ministry of Interior official suggested on TV that the parliamentary elections might be delayed beyond their scheduled date of February 15.

-- Planning is going forward for a meeting here with the dependents on February 4 and 5.

-- It appears likely that the Islamic Foreign Ministers meeting in Islamabad will adopt a resolution opposing imposition of sanctions against Iran. With Bani-Sadr's relatively moderate statements on the hostage question and towards Europe and Japan, it is also likely that we will find it even more difficult to enlist the cooperation of our allies for the imposition of sanctions. In these circumstances we believe serious consideration should be given to our taking the initiative at an appropriate time to announce that we are indefinitely suspending further action on sanctions in view of the new situation created in Iran by the Presidential elections and while we assess the prospects for settling the hostage issue in these new circumstances. We would emphasize publicly that we have not dropped sanctions, but simply postponed the implementation. At the same time that we announce this step, we could inform Ghotbzadeh and Bani-Sadr through private channels that we are suspending action on sanctions as a unilateral gesture to improve the atmosphere for a settlement and that we look forward to a reciprocal step from the Iranian side. As to timing, there might be an advantage to moving quickly if there are indications that the Islamic Conference is prepared to support Iran on this issue.

Distribution: S, S Staff, D, P, M, S/P, S/S (2), NEA, IWG (2)

NEA/IWG:HPrecht:al

1/29/80

EYES ONLY

TO: PRESIDENT CARTER
FROM: HAMILTON JORDAN *HJ*
RE: TELEPHONE CONVERSATION WITH RICHARD COTTAM

I thought you might see the attached memcon with Richard Cottam, but I wanted to put this in some context for you as Cottam and I talked last night and he "talked out loud about what this all means".

First, you should understand that we have not kept Cottam informed of our own activities but have used him to verify certain things and to communicate with Ghotbzadeh. So, he learned of my involvement originally from the Foreign Minister, and once that had happened, I began direct conversations with him. He now calls me occasionally to pass on thoughts.

DECLASSIFIED
E.O. 12958, Sec. 3.6
FOR 9/30/97 NSCH RE NLC-97-16
BY *J* DATE 11/23/98

As Ghotbzadeh was his student and he has known him a long time, he is well aware of Ghotbzadeh's many faults. He said when I first saw him that Ghotbzadeh would be the worst person in the world to lead Iran but is probably better than the others to release the hostages because he will take risks which reflects his own confidence in his relationship with Khomeini. Back in Paris, Ghotbzadeh was "first among equals" and Bani-Sadr was in the second circle of Khomeini's advisers.

He says that above all that Ghotbzadeh is a "survivor" and that that would be his overriding consideration in the next few weeks as Bani-Sadr moves to takeover power. He says that he could envision any of several scenarios (bear in mind that he does not know precisely what is going on with the French contacts or the prospect for our change of tactics).

First, he said that Ghotbzadeh could decide to "go it alone" and put together and begin to implement a plan, only informing Bani-Sadr so late in the game that he had no choice but to go alone and credit Ghotbzadeh with this diplomatic "victory". The hope would be that Bani-Sadr would find it impossible to remove him from some position of influence.

A second possibility would be that he would go directly to Bani-Sadr and try to "make peace" with him. With the Ayatollah's health so precarious, this would be much less risky than going it alone. Cottam says that the history of ~~the~~ their relationship is that they have never liked each other personally but have worked together before when it was in their mutual interest. Cottam speculates that with Khomeini ill and Bani-Sadr seeing the need to both resolve the hostage crisis and consolidate his support, it would seem that an alliance for the next thirty days would appear to be to their mutual advantage.

A third possibility would be that Ghotbzadeh would go to the "turbaned members of the Revolutionary Council who will have to be the ones who ultimately convince Khomeini to bring the hostage issue to a conclusion". He could present his scheme for resolving the crisis, gain their support and hope to co-opt Bani-Sadr in a way in which he can not object.

Cottam says that while Ghotbzadeh is at the "top of everyone's list", no one - including Bani-Sadr - is going to want to take him on directly during the thirty day period before the new government is formed. He said that this fear/respect for Ghotbzadeh reflects the feeling that he is still one of the Ayatollah's favorites.

Cottam speculates that things could move very fast now. He said that when he was in Iran in November that he and Ghotbzadeh agreed to a code that would signal the willingness for discreet official contacts. He said that he would call Cottam (Cottam always calls him for us) and would say that "he looks forward to seeing him soon".

Ghotbzadeh has called him three times and the first two times let him know at the outset that "this is not it". ~~_____~~

A recent call from Ghotbzadeh came Thursday to tell Cottam to call me and say that the French contacts as "good men with good ideas who have my confidence". The call Sunday is outlined in the attached "memcon". Cottam told me last

night that the Foreign Minister closed his conversation by saying, "I will be seeing you soon". Cottam said that he was not sure whether Ghotbadeh was using their agreed upon signal or putting him on notice for him (Cottam) to travel to Iran.

Cottam said that things could move very fast now.

30 January 1980

MEMORANDUM

SUBJECT: Iranian Comments on Departure of Six Americans

Foreign Minister Ghotbzadeh today vowed reprisals against Canada "sooner or later, somewhere in the world" over the ruse disclosed yesterday. He also predicted that worsened conditions for the US hostages would probably be one result. Ghotbzadeh noted as well that Canada had violated international law, saying that its move would help "us" to justify what happened on 4 November. Tehran Radio has also expressed much displeasure, and Western wire service reports indicate the militants at the US Embassy are already in a lather, one crying out, "That's illegal, that's illegal!" Early today, a spokesman for them pointedly complained that the Foreign Ministry had been at fault in allowing the exit of "more than the known number of Canadian diplomats." The spokesman said the episode would not affect the treatment of the hostages; he also claimed to doubt that reprisals would be taken against any Canadian citizen remaining in Iran. (U)

Ayatollah Beheshti, according to Paris AFP, said this morning that the clandestine departure of the six Americans "could" affect Canadian-Iranian relations. (C)

This memorandum was prepared by the Iran Task Force. Comments and queries may be addressed to Chief, Iran Task Force on 351-5515(gray 8468).

DECLASSIFIED
E.O. 12958, Sec. 3.6
PER 6/1/97 SJK/H RE NRC-97-15
BY _____ NARS. DATE 9/27/97



CONFIDENTIAL
DEPARTMENT OF STATE

Washington, D.C. 20520

January 27, 1980

MEMORANDUM

TO: IWG - Mr. Precht

FROM: John L. Washburn

SUBJECT: Conversation with [REDACTED]

I talked to [REDACTED] for over an hour. Following is the gist of our conversation:

-- [REDACTED] was just back from Washington after talking to "someone close to the President, someone in the closest 10-11, not the closest 4-5." (Hedley Donovan)

-- [REDACTED] outline of a proposal:

a) Khomeini has been maneuvering to get control over the students in the Embassy. In the past 4-5 weeks he has achieved it.

b) It is essential to get to Khomeini with Americans who know Iran, speak Farsi, have contacts, etc., etc. [REDACTED] would like to be part of such a group, headed by a person of stature close to Carter, but not so closely identified with him as to share the hate Khomeini feels for Carter. After a long consideration of alternatives with me, [REDACTED] tentatively thought this might be McGovern. Had previously considered Andy Young, but [REDACTED] now thinks he is too impulsive and impatient.

c) [REDACTED] would want to go with his friend, Bill Royce, a long-time Iranologist.

d) Their approach to Khomeini would be through Ayatollah Borge'i whose disciple Bahonar is a member of the Revolutionary Council.

~~CONFIDENTIAL~~

SAMIT D
E.O. 12958 10.3.6
PER [REDACTED] NARS. NLC-47-15
BY [REDACTED] DATE 3/27/81

-- [REDACTED] believes core group of Embassy students were very religious who use Marxist vocabulary. "Ringed" by Mujahedeen group, core group is becoming increasingly radical in sense of internalizing Marxist outlook. Result is estrangement from strictly Islamic ideal of state or government. Khomeini's movements have been to counter this. One such move was to prevent Mujahedeen Presidential candidate Rajavi from running.

-- [REDACTED] returned repeatedly to theme that it is necessary for U.S. to talk directly to Khomeini, give him assurances U.S. recognizes nature of Shah's regime, acknowledges mistake in nature of our support for Shah. [REDACTED] kept emphasizing that Khomeini must feel directly in touch with us.

-- [REDACTED] is positive on Bani-Sadr. Sees him as initially too theoretical, but quickly becoming practical and effective under the pressures of responsibility. Finds him moderate and courageous. [REDACTED] emphasized that if Bani-Sadr is to be able to work effectively with Khomeini on the hostages or anything else, the U.S. must not embrace Bani-Sadr too openly.

-- [REDACTED] thinks the Waldheim package approach is a promising one - perhaps the best around. However, it will have to be sold to Khomeini by the kind of direct approaches [REDACTED] is suggesting - Waldheim cannot do it himself.

Conclusion

[REDACTED] is still the cocky Texan, abrasive for all the reasons you mentioned. He thinks we're doing it all wrong. I think, however, that his current contacts with Iran are better than you thought and that it's worth keeping regularly in touch with him. In particular, he seems to have put a lot of hard work and thought into sorting out the students.

MEMORANDUM FOR THE RECORD

IRAN WORKING GROUP

DATE: January 30, 1980

TIME: _____

SUBJECT: V & B Conversation with Ghotbzadeh

B said he had spoken with Ghotbzadeh at 1:00 a.m. this morning. Ghotbzadeh was pleased with their progress and in a great hurry for them to return to Tehran. They asked whether they should stop in New York; he insisted that they not delay anywhere en route to Tehran.

Ghotbzadeh said the religious ceremony, around which planning for release was being made, would occur on February 7. V & B both expressed great doubt that anything could be arranged by that day. They said that Ghotbzadeh himself considered the date unrealistic but was sticking by it and emphasized that was reason for their haste.

Ghotbzadeh was very concerned about the Canadian affair. V & B explained in great detail the background and the rationale we had given to them. They also told Ghotbzadeh that Canadian politics lay behind the affair, implying that the U.S. was being manipulated for political purposes by the Canadian Government. Ghotbzadeh seemed satisfied with that explanation and said he would do his best to control public pressures in Iran. He could not be certain that he would succeed, however. He asked that we continue to control the reaction here as well.

Distribution:

S
D
P

NEA -- Mr. Saunders
WHITE HOUSE - Hamilton Jordan

Drafted: NEA/ IWG: HPrecht: sw

DECLASSIFIED
E.O. 12958, Sec. 3.6
BY [Signature] DATE 8/27/91
NARS. DATE 8/27/91

January 30, 1980

Dear Mr. Bourguet and Mr. Villalon:

First, let me say that I have both enjoyed and benefited from the meetings that we have had over the past two weeks in London and Washington. Because they were informal and conducted privately, these meetings were helpful to me in understanding the situation that presently exists in Iran.

As friends and supporters of the Revolutionary Movement in Iran, you have been forceful and effective in outlining to me the concerns and grievances of the Iranian people. Based on your presentation and these discussions, I have come to understand the depth of the concerns of the Iranian people.

At the same time, you have been both patient and attentive as we presented the views of our own country. I am sure you now understand that we look forward to the day when we can have a relationship with the government and people of Iran based on equality and mutual respect.

When you return to Iran, I hope that you will convey to President-Elect Bani-Sadr and Foreign Minister Ghotbzadeh that our government is prepared to work with the government of Iran to resolve the present crisis quickly on an honorable basis and is prepared to proceed toward its resolution through a series of reciprocal steps.

I believe you to be men of great integrity and intellect whose only interest in this matter is to see the present problems between Iran and the United States peacefully resolved. On behalf of our government, I would be pleased if you could continue and expand on this informal dialogue.

Sincerely,

Hamilton Jordan

Hamilton Jordan
Chief-of-Staff to the President

Mr. Christian Bourguet
Mr. Hector Villalon

I believe you to be men of great integrity and intellect whose only interest in this matter is to see the present problems between Iran and the United States peacefully resolved. On behalf of our government, I would be pleased if you could continue and expand on this informal dialogue.

Sincerely,

Hamilton Jordan
Chief-of-Staff to the President

Mr. Christian Bourguet
Mr. Hector Villalon

~~SECRET/SENSITIVE~~

Translation of a Cable from
[REDACTED] January 31, 1980

[REDACTED] just telephoned me at 1300 (January 31). For reasons of security, his answers were very terse. He had seen Bani-Sadr who remains ill.

1. As to procedures, Bani-Sadr thinks it opportune and desirable to continue our channel. (Because I had not been able to speak to him personally, it is not possible to know whether he knows of the existence of other channels especially that of the two lawyers. I did not mention that channel to Salamatian).
2. Again as to procedures, Bani-Sadr prefers for the moment that I continue to transmit messages from the U.S. to Ghotbzadeh, but that each time I should inform him personally. If he is not able to receive me, I should see Salamatian who will have an open door for me.
3. As to substance, here [REDACTED] was a little elipitical. Bani-Sadr had told him, "It is necessary to know exactly what they want to do". Assuming I interpret correctly this sentence, Bani-Sadr wants to have certain clarifications or propositions from the American side.
4. Having ascertained that for the moment Bani-Sadr does not exclude the contacts with Ghotbzadeh, I believe that that means he will not exclude the continuation of relationships that Ghotbzadeh may have with third parties including the two French lawyers.
5. It appeared to me very positive that Bani-Sadr is providing to me this "open door".
6. Your next message will give me the opportunity to receive and to clarify Bani-Sadr's ideas.

Dist: S,D,P,WHITE HOUSE,NEA

Drafted:NEA/IWG:HPrecht

~~SECRET/SENSITIVE~~

SANITIZED

E.O.12958, Sec.3.6

PER [REDACTED] RE NL-47-15

BY [REDACTED] COPY CARTER LIBRARY

~~SECRET~~

LS No. 95090
JRP
French

Your No. 93.

[REDACTED] was able to get in touch with [REDACTED] who told him that Bani Sadr has caught a cold or a virus and is sick in bed. However, [REDACTED] who is Bani Sadr's right--and left--arm and who is said to be the future minister of foreign affairs, met with [REDACTED]. Below is a description of the meeting sent to me personally by [REDACTED] which accounts for the direct tone of the telegram. I call your attention in particular to the third point in the second part, which I urge you to emphasize to the Americans as a pressing ^{appeal} ~~xxx~~ and which I myself wish to emphasize for our part. I suppose that the State Department will be in agreement with the third point in the second part.

Quote

1. [REDACTED] (X) is a very outgoing and friendly fellow whom I had already met at the Lycee Razi PTA. With me, at least, he has spoken frankly from the outset, which is not true in the case of Gh. He gave me an appointment at the Bani Sadr campaign headquarters, a place where confusion prevails but which is full of young enthusiasts--a true beehive where the atmosphere is feverish and excited, but where [REDACTED] found 15 minutes to devote to me.
2. I delivered my message for Bani Sadr relating to the form--possibility of one or several channels and, if so, which; among others, our present channel to the Ministry of Foreign Affairs, or eliminating that channel and establishing a direct channel to Bani Sadr or to his right hand man, or some other arrangement--and relating to the substance--the desire of the United States Government to establish contact in order to develop ideas for reaching a consensus and finding a solution to the crisis, a solution that is honorable to both countries. However, (I pointed out) the United States Government's overriding concern about not causing any embarrassment to Bani Sadr or interfering in any way in his difficult task. The solution will undoubtedly be a very slow process.
3. [REDACTED] will answer me as soon as possible.
4. [REDACTED] then talked to me about Bani Sadr's campaign and victory. It is wonderful to have won a victory, all the more so since the theocrats' candidate got only four percent of the vote and Bani Sadr's strongest opponent (Ghotbzadeh--he did not want to name him) got only .25 percent.

SANITIZED

E.O. 12958, Sec. 3.6

PER 6/13/97 JAC/HRE FILE ALC-97-15
BY [Signature] DATE 8/27/97

What will be difficult now will be to transfer that massive support of the Iranian people to the parliament. Now, I asked him, will you be able to do that? You have no party or organization supporting you. X replied that it will indeed be a matter of luck, but that there are strong chances that it will work out because the support they have received and expect to receive in the future shows that there is an opportunity to be seized. It will be difficult, but possible. Until the elections X believed that the country's downward trend would continue. Now he is optimistic again. There is an opportunity to save the country and the revolution, but the fight against the theocrats will be tough.

There is another risk, X told me, and that is that the United States may unwittingly kill Bani Sadr's chances. For instance, he explained to me, the White House's statement concerning Bani Sadr's election had a very negative effect and harmed his position. Why? Because the Americans must understand once and for all that the Iranian people want a political revolution. That is mainly what explains the massive vote for Bani Sadr, who not very long ago was dismissed from his post as Minister of Foreign Affairs. To speak of a political revolution is to speak of a fight. Therefore, if the United States says that he is a nice fellow with whom it can do business and negotiate a solution to the crisis, the statement will have a negative effect upon the Iranian people. They want a fighting president whom they will follow, for instance, if he wishes to end the hostage crisis, but he must preserve his image as a fighting president, especially since there are others who wish to see him fall.

X begs me, and this is addressed both to you and to [redacted] to persuade the Americans, and especially the White House and the State Department, to refrain insofar as possible from making any ^{enthusiastic} ~~statements of appreciation~~ and to keep cool and quiet as much as possible. They must realize that even if they themselves are in the midst of an election campaign, here in Iran the cards are far from being dealt.

4. The Hostage Question

Again in this connection X told me that during the two weeks he spent in New York an agreement was almost reached, but, according to him, an inopportune American statement threw the whole thing out. Look, X said to me, how much Bani Sadr attempted to play down the hostage question during the election campaign so as to weaken its potential destructive effect and its impact (and especially ~~those of the students~~ the potential destructiveness and impact of the students).

~~SECRET~~

His opponents (understand theocrats) did not follow his example; the worse things went, the more angrily they charged.

That is the only way to find a solution that will be acceptable to the people.

But time is needed. The election has not yet been won.

I then subtly asked him (argument mentioned by [redacted] in fine) whether some gesture could be expected on the occasion of the Fourteenth Centenary of the Hegira, X replied that it would be neither fair nor realistic to suggest it. Assuredly, the detention of the hostages is extremely painful for them, their families, and the United States. They have already been held hostage for three months, but Bani Sadr is not yet strong enough to ~~make~~ ^{bring about} the decision at this point. He needs, and X admits it frankly, the support of a parliament--a parliament, X specifies, made up of people who support his policies, as in the case of the presidential elections. At that time, he is sure that he will obtain it. The time between now and then should be used to carry out the dialogue that you propose, if he agrees.

5. Let me tell you that I trust Bani Sadr and [redacted] and feel more friendly toward them than I do toward any other combination of men. They ^{everything,} have not yet won, but they have carried the first victory.

I also suggest that the time in question be used by us (Switzerland or ^{the} a group of 12) to try to obtain some improvement for the status of the hostages, or at the very least correspondence and visits.